No.31,054 • FINANCIAL TIMES 1990

warming.

restrictions."

UK and China Bush faces in new talks over 1997

World News

constitution BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future constitution of Hong Kong, following Peking's decision to restrict severely the territory's democratic development from 1997, when it regains sovereignty. Peking-dominated drafters of the Basic Law which will form Hong Kong's constitution after 1997 decided on Saturday atter 1847 decaded on Saturda; that only 18 people in Hong. Kong's 69-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting system. Page 16

Barry's 'problem' Marion Barry, the mayor of Washington DC, charged with possession and use of crack cocaine, admitted he had "a problem", amid speculation among close advisers that he and would enter a drug treat-ment programme. Page 16

Haiti emergency The military government of President Prosper Avril of Haiti declared a 30-day state of siege in Port-au-Prince, suspending parts of the constitu-tion and arresting opponents.

Belgrade congress Yugoslavia's ruling League of Communists, hitterly divided on its future political role, at the weekend opened what is expected to be its last party congress. Page 4

UN goes to Iran UN human rights investigator previously barred from Iran began an eight-day visit to probe reports of torture and. mass executions.

Train crashes A passenger train and a goods train collided head on near the Ethiopian border, killing 13 people and injuring 58.

Election rejected President Corazon Aquino turned down opposition calls for a snap election in the Phi-lippines, telling her rivals to wait until scheduled presidential polls in 1992 to get a crack

Pro-Europeans unite British Conservative supporters of closer European integra-tion established a new bloc, the Positive Europe Group, to press the Government for a more positive approach to the EC. Page 6

30 die in Kashmir At least 36 people were killed and scores injured after Indian troops were ordered to shoot on sight to enforce a corfew in the northern state of

Mongolians march About 7,000 Mongolians defied a government ban on demon-strations and flocked to Ulan Bator's main square to demand democracy after 69 years of

Hackers indicted Three Silicon Valley computer experts have been indicted on charges that they broke into US Army and telephone com-pany computers and obtained classified, military and FBI information. Page 4

Cubans arrested At least four leading members of Cuba's communist youth organisation have been arrested in Havana after com-plaining about lack of democracy in their country, the Spanish dally El Pais said.

Money changers Iran said it was legalising money changing, outlawed and reviled as a parasitic prolession soon after the 1979 Islamic revolution.

Argentine-UK links Argentina and Britain resumed direct air links for the first time since the 1982 Falkland

israeli colonel killed An Israeli army colonel was killed in a gun battle with

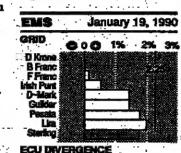
guerrillas who occupied a house in south Lebanon. Perez in Prague Israeli Vice Premier Shimon Peres arrived in Prague to dis-cuss resumption of diplomatic ties between Israel and Czecho

Tanker runs aground A tanker carrying mixed fuels ran aground outside Petersburg, Alaska, spilling between 20,000 and 35,000 gallons of

congressional battle on tax and budget

gress over taxation and reduc-ing the budget deficit is in prospect after Senator George Mitchell, the majority leader, hinted at possible leadership support for a cut in the social security payroll tax. Page 16

D-Mark within the EMS last week. Threats to peace, and the possible implications for the liberalisation of Eastern Europe, hit the West German currency and attracted funds into the safe haven of the dol-lar. This kept trading among EMS currenctes steady, with the Italian lira remaining the strongest member. The French franc was supported by better-than-expected French trade



.000 Limit BCU Party : Day Position

The chart shows the con-The chart shows the con-straints on EMS exchange rates. The upper grid, based on the system's weakest cur-rency, defines the cross-rates from which only the peseta may more by more than P₄, per cent. The lower chart gives curren-cles altoergence from the reinital rate against the European Cur-rency Unit (Ecu), itself derived from a basket of currencies.

BRITISH Rail, state rail net-work, and UK Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, London think-tank.

TELE-COMMUNICATIONS, largest US cable television company, plans to spin off most of its programming interests, some cable television systems and other businesses into a separate company after mounting concern in Congress about the size of some cable companies. Page 19

WEST European new car sales rose by 3.6 per cent to almost 13.5m last year, reaching a record level for the fifth successive year. Page 3

EUROCLEAR, one of two international securities clearing ouses which dominate Euromarkets, increased turnover to \$3.35bn last year, up 15 per cent on 1988. Page 19

TTALY lifted its penultimate

barrier to the free movement

of capital, with a decree allow-ing Italians to purchase short term obligations issued in other currencies. Page 3 TOKYO hit back at critics of its high consumer prices by claiming foreign companies are partly responsible for allowing goods prices to become the most expensive

in the world. Page 2 LSI LOGIC, leading US producer of specific semi-conduc-tor chips, recorded a loss after taking a charge for the

restructuring of its manufac-turing operations. Page 19 LUFTHANSA and Interflug. lines, announced a wide range

of co-operation agreements . to improve services. Page 3 AXEL Springer, West German publisher, is planning a move into the international market with a new Italian daily paper

KELLOGG, US convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net earnings for 1989, Page 19

DELTA Airlines, Atlanta-based US carrier, said higher fuel prices and weaker than expected traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its fiscal second quarter. Page 19

Business Summary

A lengthy battle between US President George Bush and the Democratic-controlled Con

EUROPEAN Monetary System Events in the Soviet Union reduced the attraction of the



Soviet soldiers stand guard outside the Central Committee headquarters in Baku yesterday

arons and equipment seized as the state of emergency was declared on Friday night. Despite an urgent appeal by-President Mikhait Gorbachev. on Saturday night for the Azer-beijani and Armenian people to abandon their bitter racial conflict, the violence used by

the Soviet troops to impose united Azerbaijani people against them.
"The responsibility for the blood that has been shed lies directly with the USSR organs and their officials," Mrs Elmira

Azerbaijan Popular

chev as the prime instigator of nationalist unrest and attacks on Armenians in the republic, called for a campaign of civil disobedience against Soviet power, and a general strike until the Soviet troops left.

Baku radio also announced that a mass funeral ceremony nationalist demonstrations in

The degree of national unity was shown by the fact that the funeral is being organised jointly by the Popular Front, the officially-appointed Moslem board of the Trans-Caucasus,

Kafarova, president of the Azerbaijan Supreme Soviet,

summit By David Buchan and

Kieran Cooke in Dublin

Moscow

call for

EUROPEAN Community foreign ministers, determined to back reforms in East Europe, have signalled their support for Soviet President Mikhail Gorbachev's call for an early 35-nation East-West summit. At informal weekend talks in Dublin, the 12 ministers specif-

vehicles not fuelled by petrol,

it says. Joint venture research

will be necessary to meet envi-

The impact of these environ-

mental pressures will be mag-

nified by commercial changes

affecting product design and

development. Ford plans to cut

the time it takes to develop a new product from five years to

The accelerating pace of

product development to meet more diverse consumer

demands will provoke more mergers and joint-ventures in

to \$4 bn it costs to develop a

industry to cover the \$2 bn

ronmental regulation.

one or two years.

ically endorsed Mr Gorbachev's proposal for a Conference on Security and Cooperation summit later this year to chart the future of a radically altered

Mr Gerry Collins, the Irish Foreign Minister who chaired the meeting, said: "Events in Eastern Europe are moving so fast. We in the Community are determined to play a central role in the new architecture of Europe."
At French initiative, the 12 ministers agreed to start as early as next month formulat-

ing a comprehensive plan for new Community ties with Eastern Europe. Ministers will meet again in February and April, under Ireland's EC presidency, to prepare their plan for the CSCE summit originally proposed by Mr Gorbachev. Community support for the CSCE conference is designed partly to bolster the Soviet president, beleaguered by the bloody Azerbaijan conflict.

While regretting the violence the ministers tacitly approved Mr Gorbachev's decision to send in troops and tanks to crush a nationalist uprising in Azerbaijan and prevent civil war with Armenia.

"We have complete under Continued on Page 16 Monday Interview: Charles Haughey; Page 32: Thatcher under pressure, Page 8

major new product, the report

Electronic and computer technology will come to con-trol virtually all vehicle systems and comprise between 15 per cent and 30 per cent of a

car's value. This will force changes in manufacturing. It says: "The demand for high quality will have to be met even while we have shorter product develop ment cycles, more frequent launches and greater manufacturing and assembly flexibility. The auto factory of the 1970s is fast becoming a curiosity." Sales continue rising, Page 3

CIVILIANS, SOLDIERS KILLED DESPITE MARTIAL LAW IN BAKU • CLASHES AND RALLIES CONTINUE EC backs

have to bear some of the social

burden of reducing global

It says: "We will see tighter fuel mileage requirements, alternative fuel incentives, fuel

conservation taxes and other

the extent of environmental regulation will have a signifi-

cant bearing on the develop-ment of the global auto indus-

try, affecting the costs, sales and prosperity of individual

companies. Environmental concerns will

lead to relatively strict legisla-tion in the US with Western

International imbalances in

Environment issues will transform car industry says Ford report

Europe following in its wake, the report predicts. It says this

could have significant conse-

quences for Ford's long-term prospects as it is highly depen-

dent on the mature, slow growing markets of Western Europe

Ford needs to expand into markets in the Far East, East-

ern Europe and parts of the developing world which will account for the majority of

world economic growth by the year 2005, it concludes.

Recycling waste will become a major factor in material

must be found or invented for

and the US.

Azerbaijan's rulers and Soviet troops facing mass rebellion

By Quentin Peel and John Parker in Moscow

By Charles Leadbeater, Industrial Editor, in London

environment, combined with

other issues, will affect "the

size and shape of cars, what is

in them, how they are made, where they are allowed to go and even who can own them."

It is one of the frankest

admissions yet of the changes the industry could face as 2

result of growing concerns

over the greenhouse effect and

ozone depletion. It warns that

urban congestion in the

advanced economies will become so severe that private

vehicle use and thus produc-tion - will be cut back.

The level of exhaust pollu-tion means car producers will

ENVIRONMENTAL pressures

will force a sweeping transfor-

mation in the automotive industry over the next 15 years, according to a confiden-tial Ford Motor Company

report.
The report, which says half

of Europe's pollution is caused by exhaust fumes from cars, vans and trucks, identifies

environmental concerns as the

most serious issue facing the

company.

The study from a team led by Mr Ernie Savoie, a senior executive at Ford's world head-

quarters in Dearborn, Michigan, says concern over the

SOVIET troops were facing mass popular rebellion in strife-torn Azerbaijan yesterday and a revolt against the republic's ruling Communist

Party.
At least 57 civilians and eight soldiers died when Moscow imposed martial law by force in Baku, the Azerhaliani cavital at the weekend. sylocte in Baku, the Azernaj-jani capital, at the weekend. Soviet army and Interior Minis-try forces used tanks to smash their way through barricades to take control of the city.

Nationalist reports from Baku insisted that the death toll was at least 600, and all the morgues in the city were full. Clashes were also reported from other key towns, including Nakhichevan, on the Ira-nian border, where the local Azerbaijani population has already declared its "indepen-Mass rallies in defiance of

the state of emergency took place yesterday on the streets of Baku and in many parts of the republic as the Supreme Soviet of Azerbaijan met to condemn the decision by Moscow to use force. The depu-ties were also under pressure to call a referendum on secesalon from the Soviet Union as thousands gathered outside the meeting, which was continuing late last night.

Sporadic shooting was reported around the city last mgnt, as military cadets and Soviet troops clashed outside a barracks three miles from the Azerbaijani activists said the

cadets included not only local recruits, but also Georgians. Jews and Uzbeks, united in their opposition to the Soviet military action. They were holed up in a building outside the barracks, armed with

would begin on the central recent months - at midday

bosses packing, Page 4. Yugoslav Communists still at odds, Page 4 Editorial Comment.

Minister Interviewed,

Page 16.

INSIDE

Gorbachev gambles to thwart backlash, Page 4.

Grass-roots revolt

sends Siberian Party

Romania's new Finance

British Steel seeks link with W German steel maker

By Nick Garnett in London

BRITISH STEEL, the UK's largest steel maker privatised a year ago, is seeking a business link-up with Hoesch, the West German steel and engineering company.

Talks between Sir Robert Scholey, British Steel's chairman and Mr Detley Rohwedder, chairman of the German group, are likely to have centred on a production joint venture involving steel finishing in Germany. They may also have included something more substantial involving crossshareholdings.

A deal between the two companies could represent a fur-ther step in the gradual restructuring of the European

steel industry.

British Steel, one of the world's most profitable steel producers, has only two per cent of the continental Euro-pean market. It has been seek-ing joint ventures in Europe, especially in West Germany, the continent's biggest steel

The company, which made pre-tax profits of £423m (\$698m) for the half year to September, was keen to purchase Kloeckner & Co, the trading group, when it was under the control of Deutsche Bank last year, but this inter-

Hoesch, which made a pre-tax profit of DM325m (\$189m) on sales of DM4.5bn for the six months to June 1989, makes about 4.5m tonnes of steel a year, about one-third the output of British Steel. However, Hoesch is one of Europe's lead-ing producers of high margin steel such as tubing and coated products.

Front, blamed by Mr Gorba-German Communist Party in crisis talks to avoid collapse

EAST GERMANY'S crisis-torn Communist Party, threatened with collapse by a mass deser-tion of members, is to convene an extraordinary party con-gress shortly in an effort to revitalise itself.

Mr Gregor Gysi, party chairman, said yesterday after a 14-hour emergency meeting of the leadership that the partyhad voted against dissolving itself as some rank-and-file members demanded. However, there is a strong possibility that it will break up before East Ger-many's first free elections on May 6. Mr Gysi noted that since the ousting of the old leadership last October, the party had lost nearly 1m of its former 2.2m members.

The hard-pressed coalition Government under Mr Hans Modrow, the Communist Prime Minister, also looks extremely shaky. The elections are almost cer-

tain to relegate the party to the opposition. The four parties allied with it have said they would not renew the coalition

after the elections. In a last-ditch attempt yesterday to prove it could renew itself, the party expelled all remaining members of the old Politburo who had served under Mr Erich Honecker, the ousted

These included Mr Egon Krenz, the former party leader, who succeded Mr Honecker. At the same time, Mr Horst Sin-dermann, the former president of parliament, was placed in detention on remand along with Mr Wolfgang Junkers, the former Construction Minister, and a third senior official, on charges of "criminal embezzle-ment." Nearly 50 former party functionaries who were tried and lost their posts in the Stalin era were rehabilitated.

Mr Gysi was delivered a fur-ther blow by his deputy, Mr Wolfgang Berghofer, the popu-lar mayor of Dresden, who announced his resignation from the party in a letter to the Another 39 prominent party members in Dresden district

he supported the programme of the Social Democrats (SPD) who are expected to do well in the forthcoming elections. Mr Berghofer could become a leading SPD candidate and a major vote-getter for the party. Mr Berghofer was in Austria and did not attend the meeting. The party chairman's warning about the dangers of an uncontrolled, rapid move towards re-unification with West Germany were ignored at the weekend when the last of the four coalition partners, the

National Democrats, joined the

resigned with Mr Berghofer.

He appeared on East German

television and announced that

others and came out for re-uni-fication as quickly as possible. The Government was also hit by charges that Ms Ute Nickel, the Communist Finance Minister, had misappropriated funds while serving in Leipzig as a city official. ADN, the official news agency, said the state prosecutor in Leipzig, had begun an investi-gation into the charges.

CONTENTS



THE MONDAY INTERVIEW Ireland's Prime Minister, Charles Haughey, has had a long and colourful career. Now, at 64, he has found the role he favours most, with his country holding the presidency of the European Community

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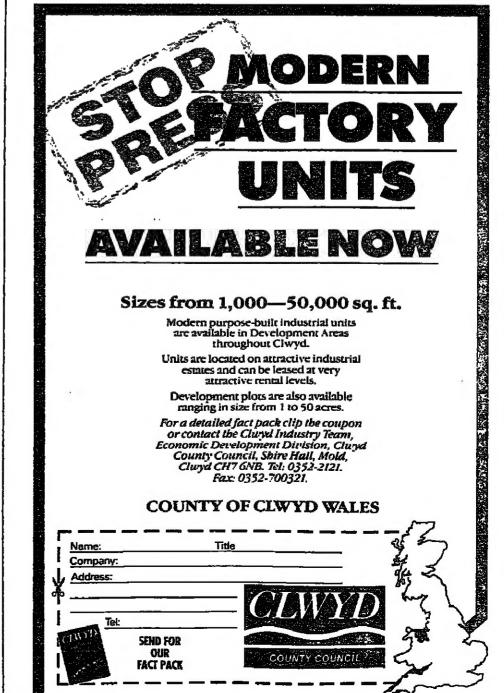
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Airlinest Irish are in the lead to liberalise EC air transport . Washington: Gentlemanly Fed-White House

Management: Du Pont in Europe - marketing higher value niches ... Editorial comments Bleak battle against drugs; the fear of UK recession ... Nordic banking mergera: High interest from Lex: Let the buy-out also beware; UK banks; global equities .

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The Business Columns Why it's hard work on



OVERSEAS NEWS

Irish are in the lead to liberalise EC air transport

Aer Lingus fears big flag carriers will lock up the market before the deadline, writes Paul Betts

er Lingus cannot wait for 1992 and the next phase of European airline liberalisation.

"We are a small player in the overall European aviation scene," said Mr Derek Byrne, the airline's European sales manager. "We are also located on the periphery of Europe in a country of 3.5m people. A key part of our strategy in the 1990s is to move away from dependence on business in and out of Ireland."

The airline, like the Irish in the lead of the movement to liberalise EC air transport. It was the first airline to take full advantage of the "fifth freedom" provisions in the EC's initial liberalisation package two years ago - which let an airline from one country operate services between two other EC states from regional airports - by developing Manchester as a new European

Competition has turned the Dublin-London route into the most densely-served European route after London-Paris. Dublin-London has overtaken London-Amsterdam in passenger volume and is now served by six different airlines. Competition has cut fares by around 15 per cent in three years and by 40 per cent if inflation is taken into account. The airline intends to use Ireland's current

six-month EC presidency to stimulate competition in other parts of the European skies by giving peripheral players

tal European market. Mr Cathal Mullan, the airline's chief executive, described the new air transport liberalisation package agreed by EC ministers last month as a relatively satisfactory com-promise. "It is now on the table. Our main concern is that it is not watered down. The danger is that things change on paper but not in reality," he

Aer Lingus, like many other smaller airlines, is becoming increasingly worried that the big European national flag-carriers will lock up the European market between now and 1992, when the liberalisation package comes into effect, by forging a series of non-aggression pacts or absorbing smaller airlines. The past months have confirmed this trend to greater concentration in the European airline industry. How far these new groupings will be allowed to develop is becoming a key test for the EC's competition and air transport policies. Dublin sees these moves as a bid by the large national flag carriers to protect their markets. "There is no particular pro-customer motives behind these moves," an Irish aviation offi-cial said. The Air France-Lufthansa pact was a classic example. They are like two Roman soldiers who have tied themselves back to back to fend off the invading Huns." The development of Man-

chester as a European hub since April 1988 has been a key component of Aer Lingus's strategy of expanding into Europe as new opportunities become available. The airline tried to develop European operations from Birmingham but its first service between Birmingham and Brussels was

We thus decided to concentrate on building up our criti-cal mass in Manchester," said Mr Byrne. The airline now flies to several European destina-tions from Manchester, including Paris, Brussels, Amsterdam, and Copenhagen. "It has been significant for us, because Manchester represents a catchment area of some 20m-22m people — a huge market com-pared to our Irish one." With growing air traffic and ground congestion in south-east England, Manchester has pro-vided Aer Lingus with an attractive alternative UK plat-

The latest EC liberalisation package will eventually enable airlines to operate "fifth freedom" services from the main EC airports. Aer Lingus would thus be able to carry revenue traffic between Heathrow and

When recognition is critical.

it's black and white.

EUROPEAN MARKET

Paris, not just from regional airports such as Manchester or Birmingham. But the Irish air-line is worried some countries and their national carriers will seek to dilute the next phase in

the EC liberalisation process.

A major problem with airline deregulation in Europe is that everybody currently pays lip-service to the idea of liberalisation, but everbody has a ten-dency to "cheat", Mr Mullan

Aer Lingus believes the expansion of its services to Europe will be an big factor in its talks with other airlines currently seeking partners to boost their competitiveness. "So far, we are not a member of any of the airline clubs." of any of the airline clubs being formed. Before becoming o, an airline like Aer Lingus must demonstrate it can serve and deserve its position in the market," Mr Mullan said. For this reason, it was important for an airline such as Aer Lingus to have greater access to the European market. "If we

can broaden our operations, we become a more desirable partner. We are less appealing if we are confined to only the

Aer Lingus seems not to want to be a lead player in one of the hig European airline clubs currently been forged, but believes it could play a use-ful role as a secondary mem-ber. At one point, it considered a broad alliance of airlines from various peripheral Euro-pean countries, but while this looked attractive on paper, it was never realised.

Aer Lingus seems more anxious at present to expand its European and North American services than enter into any new grouping. It also wants to see one day a system in continental Europe matching the liberal UK-Irish bilateral air liberal UK-Irish bilateral ar-treaty. This accord, coupled with other developments, has led to a sharp growth in air-travel in and out of Ireland. Competition has driven down prices and so, more people have used airlines to travel from the UK to Ireland rather than use the car ferry.

than use the car ferry.
"The air market to Ireland has doubled over the last three years to 3.6m people," says Mr Byrne. Air transport now accounts for about 60 per cent of Irish-UK travel business, while harely three years ago, ferries still took most of this traffic. Another factor boosting

air travel has been the continu-ing emigration of about 30,000 people a year from Ireland to the UK, many of them young. "These fly in and out quite reg-ularly," said Mr Byrne. People were now more ready to fly back to Ireland to attend a social event, then return to the

UK the next day, than in the past when air travel was seen as a luxury.

While seeking new openings to expand its airline services, Aer lingus has also been one of the earliest airlines to address the cyclical nature of aviation profits by seeking

other activities to underpin its airline core business. Airline margins are likely to come under even greater pressure in Europe's more open air transport market. For this reason, Aer Lingus is campaigning for an EC transport policy giving smaller airlines greater access to the market and preventing the bigger players forging car-tels before 1992. If European consumers are to enjoy low fares, airlines must also be able to offer the

necessary capacity to justify the economics of these low fares. This means action to improve airport and air traffic control congestion and a set of basic ground rules to ensure fair competition. "In this business, you need a balance between low fares and capacity," Mr Mullan said.

Day of separatist violence in Kashmir kills 25

By David Housego in New Delhi

AT LEAST 25 people wers killed and more than 60 injured in Kashmir in north-west India yesterday, in the worst day of violence in the state since Moslem separatists stepped up their campaign at the end of

Reports from Srinagar, the capital, spoke of pitched bat-tles between demonstrators and the security forces as pro-test mounted against Friday's decision by Prime Minister V.P. Singh's administration to bring the state of Jammu and Kashmir under direct rule from Delhi.

The demonstrators, chanting The demonstrators, chanting anti-India slogans, were also protesting against widespread arrests of suspected militants in a sweep that marks the beginning of a crackdown by the authorities.

The former Chief Minister, Dr Farooq Abdullah, last night condemned the "reign of terror and repression" let loose by the enveroment over the week-

the government over the weekend Dr Abdullah resigned as Chief Minister on Friday after the Government expressed lack of confidence in his enfeebled administration by naming Mr Jagmohan, who was governor of the state from 1982 to 1988, to a fresh term of office.

As rioting spread in Srina-gar, the authorities imposed a curfew in the town, giving troops orders to shoot on sight those seen violating it. Most of the casualties occurred as dem-onstrators charged through the streets defying the curiew. Further trouble is expected this week, with militants announcing a total closure of shops for today and a day without electricity and lights on Friday to mark Indian Republic Day. Fundamentalists have already forced the closure of all bars, cinemas and video

all bars, cinemas and video shops in the capital.

The situation in the state, which borders Pakistan, deteriorated rapidly after militants at the end of last year kidnapped the daughter of the new Home Minister, Mr Mufti Mohammad Sayeed. Mr Sayeed, himself a Moslem and a Kashmiri, was named Home Minister in a gesture of conciliation to Kashmiri opinion. The militants used the kidnapping to secure the release of other detained extremists.

letained extremists. The worsening situation The worsening situation coincides with the arrival in Delhi last night of Mr Sahabzada Yaqub Khan, the Pakistan Foreign Minister. India accuses Pakistan of providing weapons and training for the militants.

Mr Singh told survivors of the 1984 Bhopal gas disaster yesterday that his government would scrap the \$470m settlement with Union Carbide, Requester reports from Bhopal. ter reports from Bhopal.

He also told a crowd esti-mated at 100,000 people that his government would pursue criminal charges and the \$3bn originally sought from the US-based multinational

"We believe there can be no deal over human corpses," he said, referring to the settlement accepted last year by the Indian Supreme Court and the former government of Prime Minister Rajiv Gandhi.

Tokyo blames high prices on importers

By Stefan Wagstyl in Tokyo

JAPAN has hit back at foreign critics of its high consumer prices by claiming that foreign companies are themselves partly responsible for allowing the prices of goods in Japane stores to become the most expensive in the world.

expensive in the world.

The Ministry of International
Trade and Industry (Miii) has
published a report which says
one reason why US and Einer
pean goods cost inore in Tokyo
than elsewhere is the pricing
policies of importers
Miii, which surveyed home
electric appliances, cameras.

electric appliances, cameras, cosmetics and sports goods. says a basket of 26 US products cost 26 per cent less in New York than in Tokyo and 9 per cent less in Paris. The prices in London were the same as in Tokyo. A selection of 38 Euro-

pean goods cost 16 per cent less in New York than in Tokyo, 27 per cent less in London and 26 per cent less in Paris.

Miti said many sole agents deliberately put high prices on famous brand-name goods in order to boost their image. Combined with the high cost of

anese consumers avoid lowpriced goods for fear they might be inferior. However, the ministry's charges are significant in the context of the current criticisms levelled by foreign governments at the Japanese distribution system.

Springer plans Italian national daily newspaper

By Raymond Snoddy

THE Axel Springer organisation, the West Germany publisher, is planning a move into the international market with a new Italian

daily newspaper.

The paper, which will be claimed as the first truly national Ballan newspaper in a country of regionally-based papers, is to be called Nuova Extra.

Extra.

The new Italian daily, which will be in the style of Springer's successful West German tabloid Bild, will be produced with the Italian newspaper publisher Monti-Gruppe.
Test marketing of a dummy

issue of the paper has already been carried out. Although the final decision to go shead has not been taken, a launch this autumn is now considered

autumn is now considered likely.

The tabloid popular paper will be at least 50 per cent colour and the aim is to go for a circulation of Im — very large by Italian newspaper circulation standards. The intention is also to undercut the price of existing Italian dailies by around 20 per cent.

around 20 per cent.

Springer's plans are a further sign that the European newspaper market is becoming increasingly international.

East-West topics head Elysée talks

DEVELOPMENTS in Eastern Europe and prospects for Europe and prospects for East-West relations were at the centre of discussions in Paris on Saturday between President François Mitterrand and Mrs Margaret Thatcher, writes Ian Davidson in Parls.
The British Prime Minister's brief Junch-time visit to the French President was part of a process of meetings between the two leaders which, like those between other European Community statesmen, have

Nevertheless, both sides were remarkably silent afterwards over the content or con-clusions of their talks. British

become so regular as to be

clusions of their talks. British officials suggested that it was a successful meeting, with a good, interesting discussion.

They said the main topics of conversation had been Eastern Europe and East-West relations, rather than the affairs of the European Community; but Elysée officials declined either to identify the subjects of discussion, or to characterise the the conversation.

ise the the conversation.

Such exceptional discretion could imply that the two leaders had been unusually frank with one another on questions of international delicacy.

trade deficit THE SWISS merchandise trade deficit last year increased by 31.3 per cent to reach SFr10.94bn (£4.38bn), its highest point since the record shortfall of SFr11.25bn in 1980, writes John Wicks in Zurich.

Rise in Swiss

Imports rose in absolute terms in 1989 to SF795.21bn, or some 15.5 per cent. This sharp increase is attributed primarily to high levels of eco-nomic activity in Switzerland, but also to the weakening of the Swiss franc Exports also benefited from heavy foreign demand.

FINANCIAL TIMES

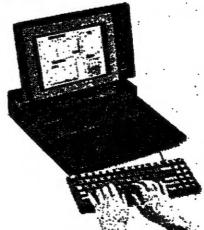
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Music scores are in black and white because recognition is easy and instantaneous. So for eminent readability, text and graphics appear in clear black and white on Hitachi's HL500 portable computer's screen. That's because Hitachi's doublelayer type black and white STN" LCDs with CFL* backlighting. create a beautifully pure black and white screen with impeccable contrast. The difference is dramatic. And gratifying to the eye. Such innovation is one result of Hitachi's advanced micron-level technology and incorporated in the HL500. It

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Whatever the product, from laptops to super computers, from home appliances to Factory Automation systems, Hitachi has the same philosophy. This philosophy goes beyond incorporating over 40,000 patented technologies. With the vast scope of its expertise, Hitachi can design each feature, major and minor, with every other feature in mind. The result is in-depth integration, guaranteeing the special quality which is the hallmark of Hitachi.

* STN = Super-Iwisted Nematic; CFL = Cold Cathode Flagrescent Lamp



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OVERSEAS NEWS

VOLKSWAGEN GROUP KEEPS PLACE AT TOP OF LEAGUE

f separate By Kevin Done, Motor Industry Correspondent WEST European new car sales continuing strengtl in the past two ye correcasting a dip W Europe car sales continue rising

13.5m last year, reaching a record level for the fifth successive year, and marking the climax to the longest period ofsustained growth ever enjoyed by the West European car

West Germany, which includes Audi and SEAT, maintained its position at the top of the West European car sales league for the fifth successive year, despite a fierce challenge from Fiat of Italy.

According to preliminary industry estimates, the VW group captured 15 per cent of West European new car sales compared with the 14.8 per group, which includes Lancia, Alfa Romeo and Ferrari.

All of the big-volume mar-kets – West Germany, Haly, the UK, France and Spain – showed continued growth last year and all but West Germany

New car sales were higher last year in 13 of 17 markets across Europe, with record sales also achieved in Belgium, Switzerland and Finland. Sales fell in only four markets — Sweden, Denmark, Norway

and Portugal. After five years of record sales, the West European car market ended 1989 on a weak note, however, with a steep drop in sales in December of around 11 per cent, according to industry estimates:

Sales were lower than a year ago in 10 of 17 markets, includ-ing the UK, France and Spain. The rate of growth in new car sales slowed during 1969, and demand was lower than a year ago in the final four months, with falls in Septem-

DOWN in County Kerry in the south-west

of Ireland, it's well known that Christo-pher Columbus called in to ask for direc-

tions on his way to discover the continent

of America, writes Kieran Cooke in Dub-

Yesterday, another equally intrepid explorer dropped in on Kerry. A young loggerhead turtle, usually resident off the coast of Florida, was found washed ashore on Kerry's Dingle Peninsula.

ber and December.

continuing strength of demand in the past two years, and are forecasting a dip in sales in 1990. Automotive Industry Data, the UK-based automotive analyst, is forecasting a fall in sales to around 13.2m this year. VW's claim to leadership of industry. the West European car market
The Volkswagen group of is disputed, by Flat, which
West Germany, which includes maintains that it ousted VW

from that position last year. Unlike most other car makers and industry analysts, Flat refuses to use the official West German new car registration statistics on the grounds that the system classifies some

vehicles, such as minibuses

and some car-derived vans, as

passenger cars.
On the basis of its own estimates, Fiat claims it captured 15 per cent of a total European market of 13.32m, compared with the 14.8 per cent taken by

General Motors of the US (Opel in Continental markets and Vauxhall in the UK) emerged clearly the fastest-growing volume car-maker in West Europe last year, helped by the success of its Opel Vec-tra/Vauxhall Cavaliar launched

GM car sales in Europe jumped 10.2 per cent to 1.488m. The group boosted its share of the West European market to 11 per cent and is rapidly clos-ing the gap behind fourthplaced Ford. GM's fortunes in Europe

should receive a further boost in the late spring when it launches its new Opel/Vaux-hall Calibra coupé, which will take it into a segment of the European market dominated by Japanese car makers in

Ford's fortunes will also be vitally affected by the launch later this year of its new-gener-ation Escort small family car, sales is expected to rise which is its best-selling volume

	Volume (Units):	Volume Change(%)	Share (%) Jan-Dec 20	Share (%) Jan-Dec #
TOTAL MARKET	13,478,000	+3.6	100.0	100.0
MANUFACTURERS:			-	
Volkswagen (incl. Audi and SEAT)	2,021,000	+4.1	15.0	14.9
Flat (incl. Lancia, Alfa Romeo & Fer- rari)	1,991,000	+3.0	14.8	14.8
Peugeat (including Citroen)	1,704,000	÷ 1.8	12.7	12.9
Ford	1,562,000	÷6.6	11.6	11.3
General Molors (Opel, Vauxhail & US)		+10.2	11.0	10.4
Danauli	4 303 000		46.4	40.0

2,362,000 2,301,000 car in several European mar-

392,000 377,000

266,000

2.852 000

The main losers in the European car market were Rover of the UK and West Germany's Mercedes-Benz. Rover's sales volume dropped an estimated 7.9 per cent. Mercedes-Benz increased its sales in several European markets, but was hit by a heavy fall in West Germany, where demand for diesel cars has continued to plunge under the impact of environ-

MARKETS:

mental concerns.

The total volume of Japanese car sales in West Europe was virtually unchanged at 1.457m, and the Japanese share of the market fell to 10.9 per cent from 11.3 per cent a year ago.

The turtle, promptly christened Timmy by the locals, is only 12 inches long. Natu-rally Timmy was exhausted. He was also feeling the cold of Ireland's winter

Mr Gabriel King, a Dublin business-man, organised a rescue mission. Timmy the turtle was first flown to Dublin, from

where he was then transferred to an Irish

The British military authorities were

ever, as Japanese car makers local European assembly plants build up production. The relative sales performances of the big-volume car

21.6 16.8

makers in Europe will be affected this year by the wave of restructuring moves announced in the final months

This year, the GM group will include Saab of Sweden, in which it took a 50 per cent shareholding and management control in December. Saab sold an estimated 67,000 cars in West Europe last year.

At the same time, Ford has taken over Jaguar, while Fiat is completing its control of the Italian auto industry by taking a majority stake in Innocenti and a 49 per cent stake in Mas-

mission for Timmy to be flown across the border into Northern Ireland.

Timmy the turtle is now reported to be

happily swimming about in Ireland's only heated sea water aquarium at Portalery

Irish conservationists say that once

Thumy has recovered his strength, they are hoping to put him on an aircraft again

in the North.

Italy nearer | Lufthansa, Interflug announce to free movement of capital

By John Wyles in Rome

ITALY lifted its penultimate barrier to the free movement of capital at the weekend, with a decree allowing Italians to purchase short-term obligations

issued in other currencies.

All that remains now is to sanction the opening abroad of bank accounts in ire or for-eign currencies. This obstacle should fall in April or May after the Government has aligned taxes on bank interest closer to European averages, comfortably ahead of the European Community's July 1 dead-line for the lifting of all capital

Italy's step-by-step liberalisa-tion programme, which began over two years ago, has been carried through without any negative effects on the lira. Any potential disadvantages have been offset by relatively high domestic interest rates which have attracted consider able capital inflows since mid-1968, a process which has continued in the past fortnight since the lira embraced the narrower 2.25 per cent fluctua-tion band within the European

Monetary System.
Mr Renato Ruggiero, Italy's
Foreign Trade Minister, who
signed the latest decree, said
the Government had been able to overcome "anxieties of speculative movements against the lire that could have been prompted by expectations of devaluations".

In fact, he added, a net influx of capital was creating "a sufficient safety net for ade-quately confronting speculation in foreign exchange markets".

The weekend decree will enable Italians to buy a variety of short-term instruments with maturities of less than 180 days. The freedom will apply to all European Community cur-rencies, the US, Canadian and Australian dollars, the Swiss Franc, the Austrian schilling, the Finnish mark and the Yen. No expert foresees a stampede of Italian investors into foreign short-term assets.

of Wehner inspired not only Interest rate differentials and italy's lower rate of tax (12.5 per cent) on debt interest mean that domestic bonds and notes are more attractive than most possible rivals.

co-operation on air services

By David Marsh in Bonn

LUFTHANSA and Interflug, the West and East German airlines, have announced a wide range of co-operation agreements to improve air services, and launched a joint initiative to build for a new Berlin air-

port by the year 2000. Mr Heinz Ruhnau, Lufthansa chairman, and Mr Klaus Henkes, managing director of Interflug, said at a press conference at East Berlin's Schö-nefeld airport that they were pooling forces to strengthen their marketing positions.

Although the two companies

will remain separate airlines, the decision to co-operate reflects the gradual process of

political and economic unifica-tion being developed between the two German states. In particular, they want to

press the Second World War allies to lift "all artificial restrictions" on flights between the two Germanys, including routes to Berlin.

Backed by a large cross-section of public opinion, Mr Ruhnau is growing impatient with the control of the US, France and Britain over the western "corridor" routes between West Berlin and the Federal Republic.

Mr Ruhnau said the city's present airports at Tegel in the West and Schönefeld in the East needed to be expanded, but a site should also be envisaged for a new airport to be built by the end of the century. "From the logical point of view, this should be in the

south [of the city]," he said. It would have to be built on East German territory outside

the city's present limits – and outside allied jurisdiction.

Among the projects unveiled, the two airlines are to set up a joint charter company, as well as other joint party in the entering trails. ventures in the catering, train-ing and software fields. Technical co-operation and joint operhotels will be intensified.

OBITUARY: HERBERT WEHNER

Brusque champion of the SPD

ment. The chance came in the

1966 Grand Coalition with the

Christian Democrats, of which

ehner was prime architect. Wehner was a pioneer of building bridges with East Ger-

many. He figured in discreet negotiations started in the

1960s on ransoming political

WITH the death of Herbert Wehner, West Germany's Social Democratic Party has lost the most truculent of its post-war leaders, writes David on class war and prepared the Social Democrats for govern-Marsh in Bonn. Wehner, whose death at 83 was announced on Friday, played many roles dur-ing a life which mirrored Germany's own uneven path through the 20th century.

A solitary, introverted man, his legendary pipe stuck fero-ciously in a misshapen mouth, he was denigrated by some on the right as a rabble-rouser. In some public outbursts he could appear on the verge of apoplexy. To a generation of Social Democrat deputies,

"Uncle" Herbert, as the party's parliamentary leader, could, however, betray a soft heart. With Chancellors Willy Brandt and Helmut Schmidt, Wehner formed a "troika" running the SPD's often troubled

affairs during 13 years of coalition government with the liberals, which lasted until 1982. After Wehner's retirement in 1983, Mr Schmidt, in a rare display of public affection, admitted that the cussed personality

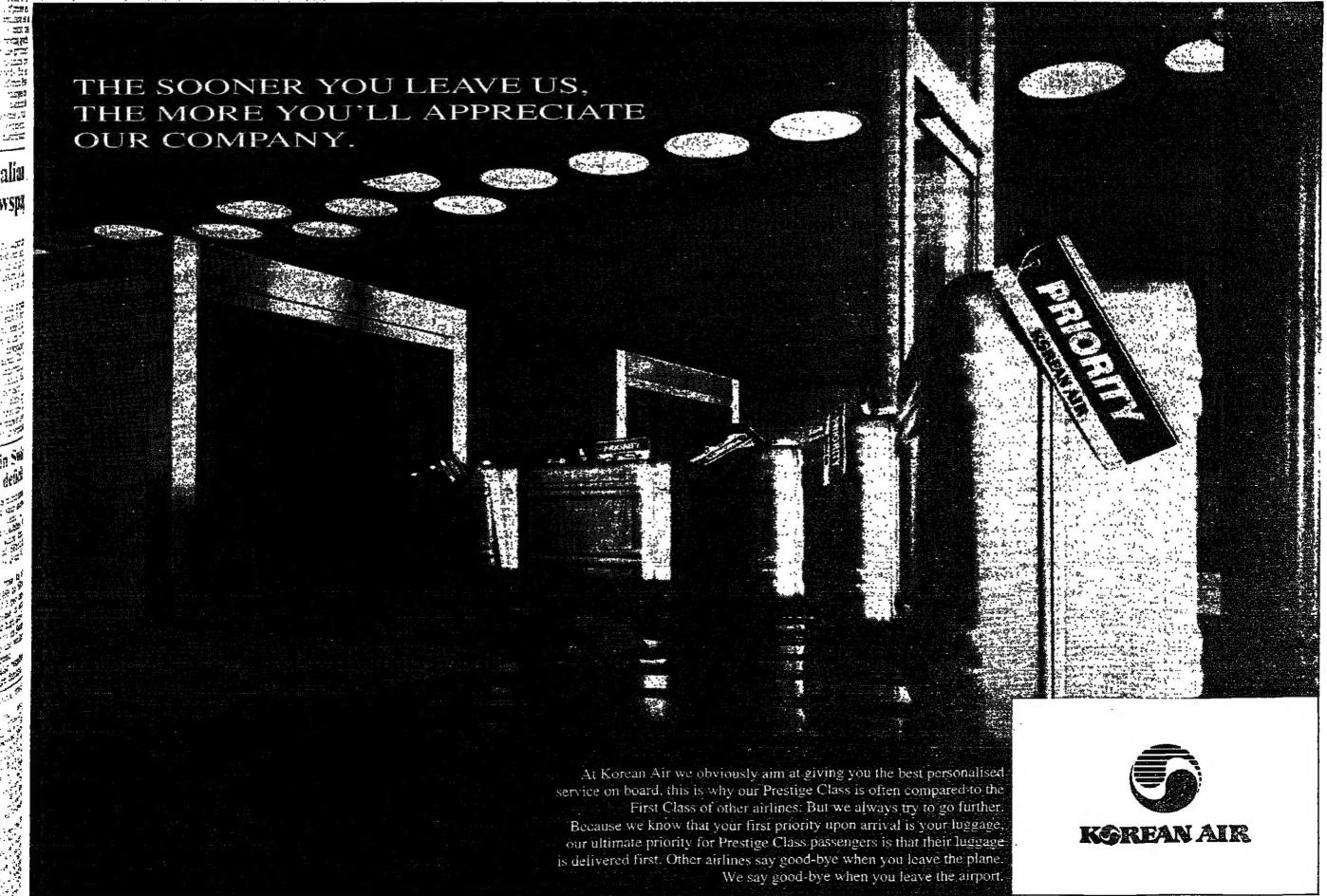
respect but also "love". Born in Dresden, Wehner was a communist in pre-war Germany, persecuted under the Third Reich before fleeing abroad. In the 1930s, he built up a long-lasting friendship with Erich Honecker, later to become East Germany's leader. As one of the stalwarts building up the post-war SPD, Wehner was a driving force behind the party's 1959 pro-gramme, which turned its back prisoners from East Germany, a practice continued until last

Brusque and often embit-tered, Wehner bore lightly neither his illnesses - he suffered from diabetes for 20 years nor his grudges. Mr Brandt blamed him for intrigues forcing his own resignation as

Wehner, like Germany, was a split personality. His death last become feasible, a prospect he never lost from view.

lource: (except US, UK, Japen) Euroste

WORLD ECONOMIC INDICATORS											
UNEMPLOYMENT											
	Dec '89	Nov '89	Oct '89	Dec '88							
W. Germany 000's	2,005	2,026	2,004	2,139							
96	7.8	7.9	7.8	8.3							
US 000's	6,658	6,652	6,563	5,509							
%	5.3	5.3	5.3	5.3							
UK 000's	1,639	1,612	1,636	2,047							
%	5.8	5.7	5.8	7.3							
Belgium 000's	352	347	350	379							
%	9.9	9.9	10.0	10.7							
	Nov '89	Oct '89	Sept '89	Nov '88							
France 000's	2,578	2,599	2.588	2617							
%	10.9	11.0	11.0	17.1							
Italy 000's	3,911	3.898	3,882	3866							
%	16,5	16.4	16.4	16.5							
	Oct '89	Sept '89	Aug '89	Oct '88							
Netherlands 000's	378	381	394	678							
%	6.5	6.5	6.8	11.6							
Japan	1,430	1.400	1,410	1,520							
%	2.3	2.2	2.3	2.4							



Most European car makers have been surprised by the

importe Day a long-distance swimmer turned turtle

riuns Italia. chally newspa

Computer experts in **US** indicted for hacking

By Louise Kehoe in San Francisco

THREE Silicon Valley computer experts have been indicted on charges that they broke into US army and telephone company computers and obtained classified, military and FBI information.
The case has heightened

widespread concerns about the vulnerability of data and telephone networks to unauthor-ised access, and comes in the midst of the trial of another computer hacker who is alleged to have introduced a computer virus into the Arpanet research network which links university and govern-ment laboratories throughout

The latest charges resulted from a two-year FBI investiga-tion, according to officials. The three men charged all have ties to SRI International, the California consulting company which is a world centre for research into computer secu-

According to the indictment, Mr Poulsen burgled Pacific Bell facilities and stole code books which enabled the three to penetrate government and telephone company computers.
Among the information alleged to have been illegally obtained by the three were the flight orders for thousands of army paratroopers who were on a military exercise, apparently obtained by tapping into the army's Masnet computer

They are also alleged to have gained access to information gathered during an FBI investi-gation into associates of former Philippines President Ferdinand Marcos and unpublished telephone numbers for the Soviet consulate in San Fran-

Haiti imposes 30-day state of emergency

HAITI'S military Government has imposed a 30-day state of emergency after arresting the leaders of several political parties preparing to contest elec-tions set for this year.

The moves, which followed the murder of an army colonel,

are likely to cost Gen Prosper Avril, head of state, much of the limited support he has won by promising elections.

An official statement said the new measures were intended "to protect demoagainst terrorism.

Diplomats said yesterday that the arrests and the emergency had rekindled specula-tion that Gen Avril, who took power 16 months ago, is reluc-tant to leave office.

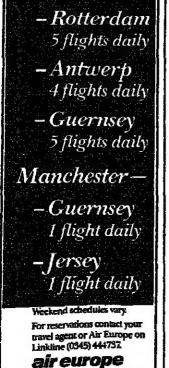
The developments are likely to embarrass the US Governthat Gen Avril offers the best prospects for democratic

Marcos lawyer appeals against Zurich ruling

A LAWYER representing the family of the late Ferdinand Marcos said he has appealed against the decision by a Zurich attorney to unblock \$250m. deposited in Swiss banks by the former Philippine Presi-dent, AP reports from Geneva.

After an investigation lasting more than three years, Zurich district attorney Peter Cosandey agreed on January 4 to unfreeze Marcos assets in banks. He said this was subject to completion of criminal proceedings in Manila to prove the funds were illegally obtained. The Philippines Government has yet to file charges against the Marcos family.

Gatwick—



Gorbachev gambles to thwart Soviet backlash

Critics are attacking his motives in using troops to quell the Azerbaijan troubles, Quentin Peel reports

RESIDENT Mikhail Gorbachev has moved with extraordinary speed to head off a threatened backlash in the rest of the Soviet Union against his declaration of a state of emergency in Azerbaijan, anx-lous to limit the conflict to the Trans-

Caucasus region.

After a rash of protests by the families of young reservists called up to reinforce the virtual martial law in the region, the Soviet Defence Ministry announced on Saturday that the stand-by soldiers would return home by Wednesday.

The move came as opposition politi-cians dared to criticise the state of

emergency, and warned that it could seriously undermine the position and popularity of the Soviet leader.
Although on the face of it the use of
Soviet troops in Azerbaijan was an essential move to restore order in the republic, critics said it was only taken when there was a genuine threat to the power of the Communist Party —

not when there were violent pogroms

Grass-roots revolt

bosses packing

By John Parker in Moscow

A NEW Communist Party

leadership has been elected in Tyumen, one of the most

ryumen, one of the most important regions of the Soviet Union, after the party boss and his entire top echelon were forced to resign en masse following a grass-roots rebellion by local party activists.

An emergency meeting of the committee of the regional party elected as its new leader

but only temporarily - Mr Victor Kitayev, described by the official news agency Tass as "the most democratic repre-

sentative of the previous lead-

sentative of the previous lead-ership".

The meeting — broadcast live in the region in response to strong public interest — decided to bring forward to April a full party conference, at which new elections will be held.

Tyumen, east of the Urals, is larger than South Africa and is the Soviet Union's biggest oil and gas producer. The former

party boss is Mr Gennady Bogomyakov, accused by no less than the government's

own newspaper, Izvestia, of

being "to a notorious degree...a model of the com-mand administrative system".

mand-administrative system.

Last year, he was proposed by the Prime Minister, Mr Nikolai Ryzhkov, as the new Oil and Gas Minister, only to be rejected by the Supreme Soviet, the country's parliament amid accusations he had

turned Tyumen into an envi-ronmental desert in pursuit of planned oil-output targets.

Mr Bogomyakov was party

boss of Tyumen for 17 years, presiding over its rise to become the heart of the west

Siberian oil region, which produces about 60 per cent of the country's oil. Until Mr Gorba-

chev's arrival, the Kremlin lav-ished praise on his district's contribution to economic

growth.
But, as the account of his

"retirement" in a Tass report puts it. "In the emphoria over the development of mineral wealth, it was forgotten there

is a need to create the neces-sary living and working condi-

tions. Settlements and towns in Tyumen lack facilities.

sends Siberian party

Mr Gorbachev's grim television broadcast to the nation on Saturday night was clearly not simply aimed at appealing for an end to the violence between Azerbaijanis and Armenians, but also at justifying his final decision to reimpose order in Baku, the Azerhaijani capital, with a huge show of force, and inevitable bloodshed.

Top-level Soviet advisers insisted last week that the decision to impose the state of emergency, using Red Army soldiers as well as interior Min-Army somers as wer as meetor man-istry troops, was taken after deep soul-searching on the part of Mr Gorb-achev and the Presidium of the Supreme Soviet in Moscow, They say that Soviet military commanders were also extremely loth to get involved, remembering the backlash against the army after 20 nationalist demonstrators died in Thilisi, Georgia, last April.

Yet there are also indications that the military was prepared for a much

Roads are bad. There are short-

ages of housing and an insuffi-cient supply of goods."

This, combined with Mr

This, combined with Mr Bogomyakov's autocratic style, has pushed the local Communist Party into open rebellion. Last week, after he had dismissed his number two, a letter appeared in the local press from the ideology secretary, Mr M. Metakov, savaging his boss's "politics of intrigue".

"It's about time he retired," said another party secretary.
"The years of perestroika have changed virtually nothing in

changed virtually nothing in the lives of the people of Tyu-men, if indeed, things have not

This week, a meeting of grass-roots party activists called for the resignations of Mr Bogomyakov and his whole politbure. The opportunity for this rebellion has come with Mr Gorbechavis attempt to

Mr Gorbachev's attempt to democratise the Communist

Party by encouraging local party bosses to run for office in

backed down on the require-

backed down on the requirement that party leaders must run for election, they are still under popular pressure to prove themselves electorally. With elections in Tyumen due at the beginning of March, local party members have been trying to get rid of Mr Bogomyakov on the grounds he is unelectable.

Last spring, he stood unop-posed for a seat in the Con-gress of People's Deputies, the

country's super-parliament, but failed to win because he did not receive the required 50

per cent of votes.

Whether new leaders will be able to placate the electorate, however, is open to doubt. In the contest to succeed Tyumen's boss, no fewer than 19 candidates have come forward.

Though Mr Gorbachev has

The mobilisation of reservists in Krasnodar and Stavropol, the Russian regions closest to the Trans-Caucasus, actually began last Monday, January 15, according to unofficial reports from the area – three days before it was announced by General Dmitri Yazov, the Defence Minister.

he state of emergency in limited areas of Azerbaijan, including the mountain enclave of Nagorno-Karabakh, was

enclave of Nagorno-Karabakh, was agreed only that night.

By the time Gen Yazov revealed the decision on Soviet radio, there were already demonstrations against the mobilisation. According to an independent correspondent in Krasnodar, the demonstrators said the only troops sent to the Trans-Caucasus should be UN troops.

The most public criticism of the use of troops in Azerbaijan came yester-

launched by Azerbaijanis against
Armenians.

Mr Gorbackev's grim television

more extensive role than at first announced, from the beginning of the emergency.

day from Mr Boris Yeltsin, the maverick Communist Party politician, currently on a visit to Japan.

"It is a mistake to dispatch troops and suppress ethnic problems by armed force," he said. He warned that East European socialism had become corrupted "because it was state socialism guarded by the military," the financial daily Nihon Keizal Shimbun

"Perestrolka at present is going round and round and getting nowhere. Its prospects are dark unless President Gorbachev joins forces with us. It might collapse within several

Other radicals in Moscow see the decision to use force in Baku as a beavy blow to the entire democratisation process in the Soviet Union, despite Mr Gorbachev's insistence that it was taken only after repeated efforts to find a political solution. Critics in Baku say the Soviet troops are still making no special effort to protect Armenians and other minori-

on guarding administrative buildings. "That shows their aim," an Azerbai-jani journalist said. "Moscow did it only on the day when the party cen-tral committee was blockaded by the

The use of force in Azerbaijan is a calculated risk for Mr Gorbachev, because the danger of ever more bloody ethnic clashes has been there for all to see. The Soviet leader must have decided that he would win enough support both from the other Soviet nationalities, and in the inter-

Soviet nationalities, and in the litter-national community, to take the risk of bloodshed.

A key reason why he was furced to use troops was that his own Commu-nist Party leadership in the area was no longer capable of exerting any authority. Unless Mr Gorbachev with prepared to negotiate directly with the Azerbaijani Popular Front, and therefore openly admit that the ruling party was powerless, he had to fall back on the military option.

Moscow's crackdown a dilemma for Iran

MOSCOW'S crackdown in Azerbaijan poses a dilemma for Iran, torn between commit-ment to fellow-Moslem Azerbaijanis and the need for politi-cal and economic ties with the Soviet Union, Reuter reports

from Nicosia. Iran's clerical leaders, who see themselves as protectors of Moslems round the world, are angry President Mikhail Gorb-achev sent tanks and troops to suppress Azerbaijanis. But Tehran wants an end to the border tension, which threat-ens its carefully-cultivated links with Moscow.

At stake are economic pacis worth billions of dollars and hopes that Moscow could help force Iraq to withdraw from Iranian border areas it still holds 17 months after the Gulf holds 17 months after the Guin war ceasefire. One of the main economic deals between Teh-ran and Moscow would resume gas exports in March through a pipeline from Iran's southern oil fields to Soviet Azerbaijan. iran's late spiritual leader Ayatollah Khomeini blessed Tehran's growing ties with Moscow after a decade of

strains, in a letter to Mr Gorbastrams, in a letter to Mr Gorba-chev a year ago. The links were comented in a visit by han's President Rafsanjani in June, in which he called for greater contacts between Soviet Moslems and Iranians, in a speech in the Azerbaijani capital, Baku.

He has not commented on the latest violence, which Mr Gorbachev has blamed on

extremists and Moslem funds mentalists. But other top Ira-nian officials have criticised the Kremlin for its handling of the Kremlin for its handling of the crisis, saying Moscow had been influenced by anti-Mos-lem prejudice. "The Soviet leadership should know that resort to violence is not the solution to the problem of Azerbaijan," the Iranian news agency IRNA quoted the par-tiament Speaker, Mehdi Kar-ruhi, as saying.

"Obviously, violence and toughness towards people will entail consequences," he added, contrasting Moscow's action in Azerbaijan with its willingness to negotiate in the Baltic republics. The daily Tebran Times yesterday dismissed as "outrageous" reports by the Soviet government newspaper Izvestia that Iran had supplied Soviet Azerbaijanis with weap-

ons.
Iranian officials, while backing Soviet Azerbaijani
denomis for greater religious
thetian, have not supported
calls for a united Azerbaijan.



About 7,000 Mongolians defied a government ban on monstrations and flocked to Ulan Bator's main square (above)

yesterday to demand democracy after 68 years of communism, Reuter reports from Ulan Bator. The leader of the Mongolian Democratic Union, university lecturer Fanjasuren Zorig, later said his opposition group wanted a multi-party system, an independent economy and the truth told about Mongolia's blood-stained communist history.

Demonstrators braved temperatures of -22 Celsius (-8 I) to crowd around a rostrum in the central Sukhbator square, cheer-ing as Zorig and others denomiced the Government. Demonstrators waved banners calling for an end to special privileges for the communist elite and for a five-day working week.

It was the fourth time profesters had swarmed into Sokhibator Square since early December. But it was the first action in direct

tational.

The Union, formed in December, says it has 60,000 members, just 30,000 fewer than the ruling People's Revolutionary Party. The Union has been recognised by the government provided it obeys the constitution. Its leaders have held nectings with Communist Party officials but not the ruling Polithuro. The government under 63-year-old President and party chief Zhambyn Raimunkh has captiously embraced some of the secondarie and political reforms of Soviet leader Mikhail Gorbichev. Ap adds from Moscow. The ruling party's polithers leaf dickled to. adds from Moscow: The ruling party's polithero had reduce the privileges of top party members. Including tion in the number of official cars and the closing of food shop, the Soviet news agency Tass reported.

Yugoslav Communists still at odds as end nears

By Judy Dempsey in Belgrade

YUGOSLAVIA'S ruling League of Communists, bitterly divided on its future political role and more than ever uncertain about how to respond to the changes sweeping across Eastern Europe, at the week-end opened what is expected to be its last federal party con-

According to a member of the local ideology department, an opinion poll in the city of Tyumen, capital of the region, and in the neighbouring elec-toral district of Khanta-Mansiis gress.
The first session on Saturday, delayed for three hours by bickering among the 1,601 delegates over the agenda and the draft final document, quickly exposed the two diametrically opposed views at the congress on the party's leading role and showed that only 5-10 per cent of those polled said they would vote for communists in the

the multi-party system.

Putting aside all presence of unity, Mr Milan Pancevaki, the federal party leader, lashed out in his congress address against the radical reformers, most notably those from Slovenia, who are the most passed in call. who are the most vocal in calling for political pluralism.

The Communist Party finds

unacceptable the thesis according to which the essence and form of political pluralism are reduced to a classical multi-party system,* he said.

And in language thought to have disappeared from the

went on to denounce "bour-geois ideological dogmatism which proclaims capitalism as the final goal of human society, civilisation and progress". But Slovenian party leader Ciril Ribicic warned: "With the changes in the Soviet Union, Hungary, Poland, Czechoslovakia, Romania and Bulgaria, this congress is the last chance for Yugoslav communists to make a fundamental watershot towards multi-party plural-

Along with neighbouring Croatia, Slovenia will allow free multi-party elections in

from the main civilian Kimer Rouge camp of Site 8, and the hilly area near Palita, a gen-mining town captured in Octo-

the spring, the first for 45 years.

As a means of specing up the reform process throughout the country, the Slovene delegates yesterday threatened to pull out altogether from the federal party if its draft document for a new party structure, hesed on a confederation which would formally create eight independent communist parties, was not accepted.

The draft document was rejected outright by Mr Slobodan Milosevic, the populist and former leader of Serbia, who accused the Slovenes of creating a climate for civil war.

Serbia, one of the most dogmatic party system, but within the framework of the ruling Communist Party. Besides the loss of power and privileges, it fears that free and independent political parties would be based on ethnic/nationalist spirations and not on political/fideological goals.

The congress, which is scheduled to end tomorrow, yesterday broke up into commissions, of which two will consider the party's leading role and new party statutes.

30,000 Khmer Rouge leave Thai camps for Cambodia

ABOUT 30,000 Khmer Rouge fighters and their families have been moved from secret camps inside Thailand across the border into captured areas of Cambodia, Thai military and civilian sources said yes-terday, Reuter reports from Aranyaprathet, Thailand, The guerrillas and their

ents were moved from dependents were moved from hidden camps near the villages of Khao Din and Khao Chong Kaep, south of Aranyanrathet, in the last few weeks. They had dismantled their wooden houses and taken their stores and animals with them

to areas in north-west Cam-

from government forces after said. Apart from the guerrillas withdrawal of Vietnamese and their families in claudeswithdrawal of Vietnamese troops last September.

A Thai army officer, who declined to be identified, said there had been strong pressure from Bangkok for the move. An order had been sent from the Supreme Command on January 13 that all the guarrillas should be cleared from Thailand.

Thailand.
Guerrillas of the non-communist Khmer People's
National Liberation Front
(KPNLF), which had also operated from camps on the Thai
side following a Vietnamese
offensive in 1985, have already
moved across, KPNLF officials

tine camps, more than 250,000 civilian refugees live on the That side in UN-administered

Thai Prime Minister Chati-

Thai Prime Minister Chati-chai Choonhavan last week expressed his support for an and to the guarrilla presence in Thailand in response to an appeal by a group of 90 MPs. Although the Government formally denies giving the guarrillas sanctuary, journal-ists and aid workers have vis-ited rebel camps and spoken to military commanders in Thai-land.

Baugkok has supported the

three forces – Khmer Rouge, KPNLF and the Sthanoukists – in their fight to oust the Victnamese and the Commuvietnamese and the Commi-nist Government they installed in Phnom Penh, although Mr Chatichal is now seeking more of a mediating

Thai military sources said the Khmer Rouge, who ruled Cambodia for four years until 1979, moved from camps in the flat scrubland about three kilometers inside the Thai border to areas under their control inside their own country.

They were Phnom Malai, just south of Aranyaprathet.

Phnom Chakrai just across

The Klimer Rouge and other guerilla groups use civilians living in their camps to carry ammunition and other sup-plies to fighters deep inside

Villagers said Khmer Rouge guardilas had already started road construction in Phnom Malai.

Heavy equipment, including bulldozers seized from govern-ment forces, have been deployed to clear land.

Mexico to improve patent protection By Richard Johns in Mexico City

FULL commitment by Mexico to observe patents and intellectual property rights in line with international practice has been made in the 1990-94 National Plan for Industrial Modernisation and External

Commerce.

The policy statement of the Ministry of Commerce and Industry (Secol) promises that legislation will be submitted to Congress "to improve in the near future the legal framework for intellectual property so that the protection offered in the country may be similar to what is provided for in the industrialised countries."

With this assurance, Mexico is trying to end friction with the US, its main trading partner, and to strengthen its hand

ner, and to strengthen its hand in dealings with its powerful neighbour. It also wants to ease the way for patent and royalty agreements with West European companies. The document envisages

extending respect of patents for 20 years rather than the 14 years envisaged under present

It complements the recent decree on transfer of technol-ogy, with the abolition of the 10-year limit on confidentiality and contracts, as well as the state's approval of agreements and their term.

Such a move would probably not be popular with the old guard of the ruling Institu-tional Revolutionary Party or the centre-left Party of the Democratic Revolution in the Mexican Congress.

The assurance has come just before President Carlos Salinas de Gortari's visit to Europe, during which he will meet Mr Arthur Dunkel, directorgeneral of the General Agreement on Tariffs and Trade.

Mr. Salinas's Government is

concerned that, even though it has honoured undertakings since adhering to Gatt in 1986, Mexico's exports face many obstacles which it does not put in the way of its own trading partners. It complains of quota restrictions, non-tariff barriers and specification requirements which, it alleges, have been set

to bar its exporters.

Even if the policy document masterminded by Dr Jaime Serra Puce, Minister of Commerce and Industry, does not explicitly say so, reference to these non-tariff barriers is directly related to US restric-tions on imports of Mexican steel, textiles and agricultural

The Secofi policy statement also reflects grave concern about West Europe's moves towards a single market by the end of 1992. This will be a preoccupation of Mr Salinas's nine day tour from January 25, covering Portugal, the UK, West Germany, Belgium and Switzerland, where he will address the World Economic

Forum at Dayos.

Mr Salinas and his administration are anxious to get a footbold in the European Community to lessen Mexico's dependence on commercial ties with the US.

Fed and White House pull their punches

Conflict over interest rates is falling short of open warfare, reports Peter Riddell gan Administration and Mr Paul Angell - have shifted, and are now Volcker as Fed chairman. Relations reluctant to see a further cut in interest

OOD monetary policy, Mr President, will give you the low interest rates you eventually want to see," said Federal Reserve Governor Mr Wayne Angell last Friday evening, in response to President George Bush's call for a cut in US inter-

est rates.
Differences between the Fed and the White House over interest rates are as ingrained in the US system as the separation of powers between the executive and the legislature. The Fed is institutionally bound to be more cautious and more concerned over inflation, while the Administration believes more rapid growth can be allowed without risking an acceleration of price rises.

Moreover, last week's airing of con-trasting views is, like similar events of the past year, more akin to a gentlemanly disagreement than the open warfare of the early 1980s between the Rea-

between the Bush team and Mr Alan Greenspan, the chairman for the past 2½ years, may at times be strained, but close contacts are maintained.

The latest differences are significant because of the timing and the evidence of a shift in views on the Fed's key policy-making Open Market Committee (FOMC). Last year, the Fed reduced interest rates cautiously and gradually in face of often uncertain economic data and divisions or the POMC. and divisions on the FOMC. Most of the regional Fed presidents were against too much easing of the monetary squeeze because of continued fears about inflation, while a majority of the

Washington-based Fed governors were inclined to support lower rates.

However, the latest indications are that two key Fed governors — Mr Man-

They concede that the US economy hardly grew at the end of last year, but believe the forward indicators of activity are more favourable and a recession can be avoided. By contrast, both gover-nors have pointed to a recent rise in yields on long-term bonds as an indica-tor of inflation worries. (Consumer

prices rose 4.6 per cant last year.)
As Mr Angell noted, "when long bond rates rise, that's an indication that the tough guys playing with big money don't trust us." He added that if the Fed were to lower interest rates now, "It would be the first time we had two prime rate reductions before the onset of a recession."

However, the latest indications are that two key Fed governors - Mr Manuel Johnson, the vice-chairman, and Mr unlikely, daspite the White House's

greater optimism about inflation.

The timing is also significant, because a month of intense public activity on the conomic policy is about to begin. The president's budget will be unveiled a week today, and senior members of the administration and Mr Greenspan will testify about the economic outlook several times to congressnomic outlook several times to congressional committees in the coming weeks.

The Administration's worries were

The Administration's worries were underlined yesterday by Mr Hichard Darman, the budget director. He recalled that last summer he had said that "if there were a softening of the economy, it might well be because the Fed stayed too tight, too long. We are now having a regrettable softening. This last quarter lwith Gross National Product figures due on Fridayl is going to come in at a very, very low rate of in at a very, very, very low rate of growth." So pressure on the Fed is not going to disappear soon.



THE JAPANESE DON'T MAKE DECISIONS LIGHTLY.

SO WHAT MADE TOYOTA CHOOSE POWERGEN TO SUPPLY THEIR ELECTRICITY?

In 1992, Toyota will open a major European car plant at Burnaston, Derbyshire.

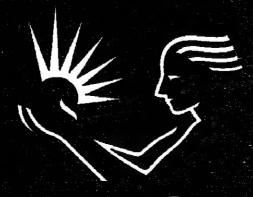
It could use as much as 40 megawatts of electricity at any one time. Toyota has agreed that PowerGen will supply its electricity and any relevant hardware.

It meant tailoring our package to meet Toyota's specific needs, as well as delivering on value for money and security of supply.

If your business spends around £250,000 a

you may be able to benefit in the same way.

To find out how, cut the coupon and send



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*Each location must consume one megawatt or more maximum demand

PowerGen is currently a division of the CEGB.

UK NEWS

NOTICE OF REDEMPTION

To the Holders of

AEGON N.V.

US \$75,000,000

104% Notes due September 24, 1992

NOTICE IS PEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of September 24, 1985 providing for the above Notes, (the "Notes") and Paragraph 4(b) of the Terms and Conditions of the Notes, AEGON N.V. has elected to redeem all of the outstanding of the Terms and Conditions of the Notes, AEGON N.V. has elected to redeem all of the outstanding Notes on February 21, 1990 at the redemption price of 101% of the principal amount thereof plus accrued interest thereon to said date in the amount of \$209.27 per \$5,000 principal amount of Notes. On February 21, 1990, the Notes designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Notes will be paid upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Parts, JP Morgan Nederland N.V. at its office in Amsterdam; Union des Banques Suisses (Luxembourg) S.A. at its office in Luxembourg; and Swiss Bank Corporation at its office in Basle. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due on or prior to September 24, 1989 should be detached and collected in the usual manner.

On and after February 21, 1990 interest shall cease to accrue on the Notes herein designated

By: Morgan Guaranty Trust Company

Dated: January 22, 1990

Withholding of 20% of Gross Rederuption Proceeds of any payment may be required unless the Paying Agent has the correct taxpayer identification number (social security or employee identification number) or exemption certificate of the Payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your Notes for payment within the United States.

We have people who check

who check your aircraft.

the people who check the people

Pay likely to dominate economic debate

By Philip Stephens

THE rising level of pay settlements is expected to be at the centre of a major debate on the economy in the House of

Commons tomorrow. This will also be a key week in the Ford workers' and ambulance disputes.

Mr John Major, the Chancellor, is expec-ted to underline the Government's view that if large pay increases are not accompanied by commensurate rises in produc-tivity, they will feed through into higher

Despite recent reports that more government money may be available to settle the ambulance dispute, Mr Major has been adamant that such a move would undercut

He has also made it clear that he will not relax the present interest rate squeeze as long as the level of private sector settle-

ments is accelerating.

The Chancellor, however, is thought to he under pressure from Cabinet colleagues not to follow recent trends in the money markets and push up again the level of

interest rates.

Mr Michael Howard, secretary of state for employment, last night expressed disappointment that unit wage costs in the private sector were increasing. He emphasised, however, that it was up to employ-

decisively efforts to hold the line on pay in the public sector.

ers to decide how much to pay out in wage rises; it was up to the Government to

provide the framework.

Tomorrow's debate, which will focus on the Government's autumn economic forecast, will be used by the Labour Party to

blame the Government's handling of the economy for the pay pressures.

It will argue that planned price rises for several public sector services and the replacement of domestic rates by the polling or community charges mark an inflatax, or community charge, mark an infla-tionary "own-goal" by the Government which will encourage still higher pay

Editorial, Page 14

Report attacks Channel tunnel plans

By Andrew Taylor, Construction Correspondent

network, and the Government are accused, by implication, of incompetence over their plans for regional links to the Channel tunnel, in a report by the Economist Intelligence Unit, a London think-tank

The unit says the failure to develop satisfactory plans to improve links between the regions and the tunnel between England and France would only widen the eco-nomic divide between the pros-perous south-east of England and other areas.

Regions such as the midlands, the north and Scotland would be unlikely to receive any benefit from one of the world's greatest construction

projects unless they were connected to a high-grade Euro-pean rail network, it adds. South-east England, in con-trast to other UK regions, would benefit from strength-

ened rail links with the major conurbations of north-west-

Europe, the unit says.

"It seems astonishing," says
the report, "that a rail-based
project costing up to £7bn can
have got so far without British
Rail having come up with a
viable solution for joining it to the rest of the rail network."

Kent, meanwhile, could ben-efit because French authorities fear the area's greater environmental attractiveness com-pared with the industrial region of Nord Pas de Calais in northern France would give the English county an advan-tage in attracting mobile indus-

tries, the report adds.
"From the British perspective, the tunnel serves as an unplugged drain through which economic activity will be pulled by the attractions of locating even closer to the eco-nomic centre of Europe."

The unit says northern

France has relatively high unemployment and was actively encouraging companies to relocate to the area by

regional assistance schemes.

With the possible exception of the Nord Pas de Calais and Hainault regions, it seems unlikely that the Channel tunnel by itself will prove impor-

tent in solving any of the prob-lems of peripheral areas such as high unemployment, popula-tion drift, low incomes and

tion costs.

The cost of building and

By Richard Tomkins,

LUCAS Aerospace, the

The service will be offered to employees without charge and within normal working hours. It is estimated that the cost the company will be between 11m and 11.5m in the first year, depending on take-up.

The introduction of the

ease, cancer and strokes.

Workers will be entitled to regular screening to identify the risks from high blood pressure, smoking or excessive weight.

tion drift, low incomes unfavourable age distribu-tions, says the report.

Eurotunnel, the Anglo-French Channel tunnel consortium, is later this year expected to raise up to a further \$1.5bm to cover construc-

equipping the tunnel, due to be completed in 1993, has risen to more than £7bn compared with an original forecast of £4.8bn. Channel Tunnel: Economic and Regional Impact; UK and Europe, £195; North America, \$385; elsewhere £198. The EIU, Duke Street, London

Lucas starts £1m health care scheme

Midlands Correspondent

automotive, aerospace and industrial group, has launched what it believes to be the UK's most extensive employee

Region care scheme.

It is called Lucas Care and will offer medical advice and screening to all 31,000 full-time and 3,000 part-time members of the group's UK workforce. workforce.

scheme underlines the trend among manufacturers to maximise the potential of their employees in preparation for growing labour shortages and the competitive challenges of

the most progressive UE employers Last year it intro-duced a company-funded train-ing and education programme aimed at encouraging its shop floor and white-collar workers to broaden their skills and qualifications.

The Lucas Care scheme will The Lucas Care scheme will be open to all employees on a voluntary basis. It will be administered by the compa-ny's own occupational health staff on company premises. One area to be targeted will be the reduction of heart dis-

IN BRIEF

N Ireland

Cardinal

challenges

politicians



O'Flaich: call for talks

CARDINAL Tomas O'Fiaich, leader of Northern Ireland's Roman Catholic community, challenged the province's politcasuenges the province's political leaders to meet and dis-cuss the prospects for progress without surrendering points of principle on either side. Cardinal O'Fiaich said on BBC Radio Ulster he believed

BBC Radio Ulster he believed that in the long term, the people of Northern Ireland and the Republic would realise they had more in common than people in any other part of Europe, and that it would be possible to move a lot closer, perhaps through some sort of federal relationship.

The Cardinal acknowledged

that in the immediate future it must be the people of Northern Ireland who decide which sort of government they want.

Ultimatum on Rushdie

A British Moslem leader named withdrawal of Salman Rushdie's book, The Satanic Verses, as the pre-condition to end the bounding of the author accused of blasphemy.

Dr Kalim Siddiqui, the direc-tor of the Moslem Institute, said: "If the book was withnamed withdrawal of Salman

drawn and compensation paid to the worst sufferers of this episode, we would consider the matter closed."

Theatre sponsorship

Jeffrey Archer, the author and former deputy chairman of the Conservative Party, announced the first commercial sponsorship of one of London's West End theatre.

His Playhouse Theatre in London's Northumberland Avenue will receive 2500,000 during the next three years from the MI Group, a finance investment company.

Rescue hoax

scaled down after a mayday message reporting 10 people in liferafts was suspected of being a hoax.

The rescue operation was launched at the weekend after radio hams in the US and Britain picked up the call from what was described as a Spanish-registered vessel, the

Armin Rose, Coastguards co-ordinated a big search but failed to find any trace last night.

Threat to monarchy

Only 49 per cent of Britain's population believes the monar-chy will survive the next 100 years, according to poll conducted by the Sunday Times

KOREA GROWTH TRUST International Depositary Receipts evidencing Beneficial Certificates representing 1,000 Units

Notice is hereby given to the unitsholders that Korea Growth Trust declared a distribution of Won 559,000 per IDR of 1,000 Units payable on January 29, 1990 in the Republic of Korea.

Payments of coupon Nbr. 5 of the International Depositary Receipts will be made in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York

London Frankfurt

West Broadway avenue des Arts 1 Angel Court 44/48

Mainzer Landstrasse Zurich. Stockeratrasse The amount of dollars shall be the net proceeds of the sale by the Fund of the won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on January 29,

The proceeds of the coupons presented after January 29, 1990, will be converted into US Dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double texation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. Those documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the Full rate of 26,875 pct Korean non-resident withholding tax will be

With respect to the Korea Growth Trust Prospectus and pursuant to clause 18(D) of the Trust Deed notice is also given that, as from May 29, 1990, payment of coupon no 5 will be made under deduction of 26.875 pct of the Korea

MORGAN GUARANTY TRUST COMPANY OF NEW YORK BRUSSELS OFFICE, AS DEPOSITARY

You might well call it exces-

sive German thoroughness

that we don't let our techni-

an aircraft until they have

training and have at least

rience. It goes without

cians work unsupervised on

completed four years' basic

eight years' practical expe-

saying, however, that their

even more experienced

work is still inspected by an

technician who, in turn, is

there is the independent

control department who

of Management.

checked by a highly qualified

engineer. And, after all that.

inspector from the technical-

reports directly to the Board

We call this Lufthansa's con-

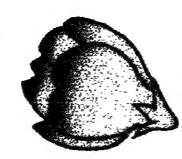
tribution to inflight relexation

- it's something we simply

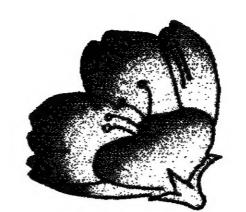
owe you and ourselves.

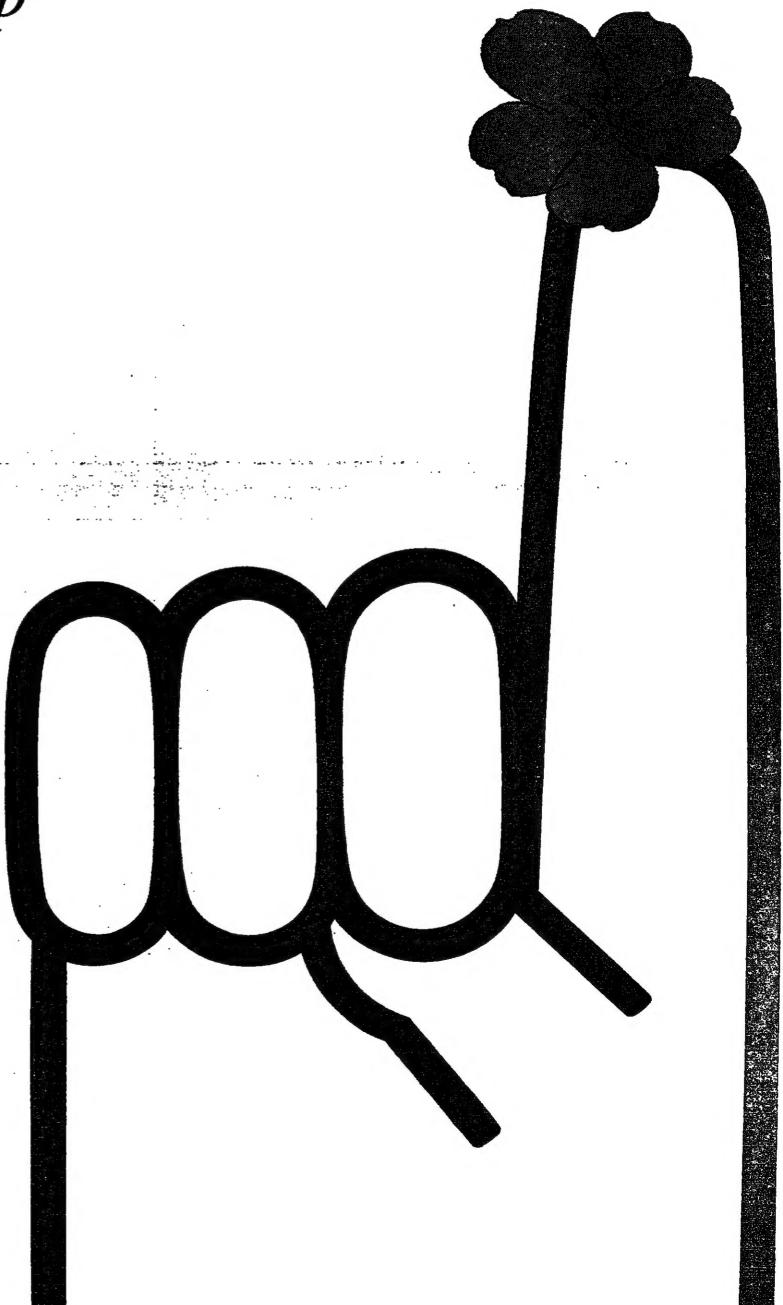






On April 1, use our leadership to achieve yours.





You are making plans to be a leader in world markets. We are making plans to be the leader in world banking. What a fortunate coincidence.

Blossom with us.





TAIYO KOBE BANK

in the cramped offices of the Batley

and Spen Conservative Association,

however, the party faithful have gathered to cheer their embattled spirits.

Mr Kenneth Baker, the party chairman, is here from London to open officially the first headquarters the local control has been since it was presented.

party has had since it won marginal Batley and Spen from Labour in 1983. He is there to reassure them that,

whatever the opinion polls are saying

about the Government's popularity, about high interest rates, about the community charge or poll tax, there is still time to recover before the election, due by mid 1992.

Mr Baker, responsible for running the election campaign, is starting early.
On his success or failure will ride not

only the Government's hopes of a fourth term but also his own keen ambition to succeed Mrs Margaret Thatcher as party leader and Prime

So his two-day lightning tour of West Yorkshire is the 18th such visit since he

took over as chairman last July. By the time the election eventually is called be

will have criss-crossed the country doz-

ens of times.
In Cleckheaton, with Mrs Elizabeth
Peacock, the local MP, at his side, Mr

Baker's message is clear, simple, and delivered with the rogueish charm that is his political trademark.

The real election battleground will be in constituencies just like this: in Yorkshire, the north-west and the Midlands, where Conservatives during the 1980s have destroyed Labour's traditional

Manchester faces £733 poll tax, report suggests

By Philip Stephens, Political Editor

MANCHESTER Council will than the lowest level compatitoday examine an official ble with value for money." According to government fig-ures, Manchester should set a report that says that it will have to set a community charge, or poil tax, of £733 in April – more than twice the poll tax of about £315 a person in April. It is accepted in Whitehall that the figure may be on the low side, but ministers will argue that the blame for anything but a small expected national average -unless it agrees sharp cuts in spending or new creative for anything but a small increase will rest firmly with accounting devices.

The figure, contained in a report drawn up by the officers the Labour-controlled authority, is expected to pro-voke a sharp attack by minis-ters on the level of tax planned by Labour local councils.

After last week's vote in the

House of Commons confirming the arrangements for the tax, ministers are determined to "go on to the offensive" in fending its introduction. That will involve blaming Labour councils for any sharp

rises in the amount individuals will have to pay relative to the possibly, the introduction of compulsory "caps" on spending by particular authorities.
Yesterday Mr David Hunt,
the Local Government Minis-

ter, said he was concerned about "evidence of abuse of local power in Manchester."

The authority seemed intent on "setting the highest charge it can get away with rather

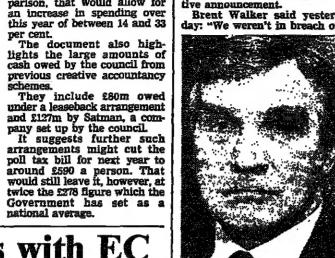
SE may act | Hollywood looks rouse the bruised faithful over Brent Walker share deal

another leisure company, late

last year. Brent Walker's chairman, Mr George Walker, was a director of Baldwin until the sale of the shares, amounting to 17.3 per cent of Baldwin, on

tive announcement.

Brent Walker said yester-day: "We weren't in breach of



George Walker: not in board meetings for a year

Closer ties with EC urged on Thatcher

The document drawn up by

the officers suggests that Man-chester's spending will be £90m higher in 1990-91 than allowed for by the Government. Depending on the specific com-parison, that would allow for

previous creative accountancy

By Philip Stephens, Political Editor

CONSERVATIVE supporters of closer European integration yesterday announced the establishment of a new group to press the Government for a more positive approach to the

European Community.
The organisation - the Positive Europe Group (PEG) - is being set up ahead of what is expected to be a tense meeting on Wednesday between Mrs Margaret Thatcher and the party's representatives at the

Strasbourg Parliament. Mr Michael Welsh, the Tory MEP for Lancashire Central, has been named as chairman of the group, which called yes-terday for a much clearer British commitment to European monetary union.

A memorandum circulated by PEG to all Conservative

SPECIAL RESOLUTION 2

exchange-rate mechanism dur-ing 1990 and to adopt a more positive approach to the Euro-

It says that Britain now faces a "real choice" between playing a full part in "building a new, cohesive European entity", or allowing its 11 part-ners to "move ahead without

Mr Welsh added that: "It would be tragic if the Conservative Party risked throwing away the credit it deserves for having brought Britain into Europe and for having set the agenda in the EC's economic

Wednesday's meeting between the Prime Minister and the MEPs is designed to ease some of the conflicts that followed the Government's

HARRISONS MALAYSIAN PLANTATIONS BERHAD

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be

held at the Theatrette, Ground Floor, Bangunan MIDF, Jalan Tun Razak, 50400 Kuala Lumpur, on Wednesday, February 21, 1990, at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as Special Resolutions:

That the name of the Company be changed from 'Harrisons Malaysian Plantations Berhad' to 'Golden Hope Plantations Berhad.'

That the Articles of Association be altered in manner following:

(a) By substituting the following new Article for Article 10:

'10. Every person whose name is entered as a member in the Register shall be entitled without payment to receive one certificate under the Seal in accordance with the Act for all his shares of each class or.

to receive one certificate under the Seal in accordance with the Act for all his shares of each class or, upon advance payment of such sum as the Directors may from time to time determine and which the Company may be permitted to charge by law and by the appropriate Stock Exchange governing the register concerned for each additional certificate, or several certificates, each for one or more of such shares plus any stamp duty levied by the government concerned from time to time. In respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders. Subject to any directions given by the Board from time to time regulating the issue of such certificates, all share and stock certificates debentures or debenture stock certificates shall be signed by one Director and the Secretary and the Seal (or any other official or Share Seal whose use is authorised under these Articles) shall be affixed to the same. Such signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the auditors or transfer auditors or batteristicates are added to the such of the Company unless a Share Seal is authorised and used.

ibstituting the following new Article for Article 11:

Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indentuity (if any) being given by the shareholder, transferee, persons entitled, purchaser, member frum or member company of The Kuala Lumpur Stock Exchange or on behalf of its/their client/s as the Board shall require, and (in case of defacement or wearing out on delivery up of the old certificate, and in any case it to the extent permitted by law and by the Stock Exchange governing the register concerned) on advance payment of such sum as the Directors may from time to time determine plus the stamp duty payable under any law for the time being in force. In the case of destruction, then or loss a member to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss and to such indemnity.

Any shares in the Company shall be transferred by instrument of transfer in any usual or common

form, or in such other form as shall be approved by the Stock Exchange on which all or any of the shares of the Company have been admitted for listing. The instrument of transfer of a share shall be signed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of

the share until the name of the transferce is entered in the Register in respect thereof. Provided that in the case of a partly paid share the instrument of transfer must also be signed by or on behalf

of the transferee. Any fee charged on the transfer of a share shall be a sum of money paid in advance as the Directors may from time to time determine and which the Company may be permitted to charge by law and by the appropriate Stock Exchange governing the register concerned."

the code, either legally or morally." It said that, since the Baldwin shares were owned by Brent Walker rather than by Mr Walker personally, and since Mr Walker owned less than 30 per cent of Brent Walker, the sale was not cov-ered by the exchange's code.

The company also said that Mr Walker had not attended any Baldwin board meetings since Brent Walker acquired its stake on the acquisition of Ellerman Holdings, the pubs, brewing and wine group, a

year ago. Transactions involving

By Richard Waters

THE STOCK Exchange is believed to be looking into the sale by leisure group Brent Walker of shares in Baldwin,

December 29.

The sale was made in advance of Baldwin's annual results, due today - whereas the exchange's code of conduct on directors' share dealings forbids dealings in the two months before a price-sensiti-



The company took legal advice from Simmonds & Simmonds before the sale went

directors are routinely moni-tored by the exchange. Any that fall within the two months specified in the code are automatically taken up for investigation by

stranglehold on power. The shape of the approach that Mr Baker is preparing for TINE O'CLOCK on a Saturday morning in the freezing, dismal greyness of Cleckheaton, West approach that M: Baker is preparing for that battle comes across in just a few sentances — delivered in the clipped, "sound-byte" style that looks certain to dominate the Tory campaign.

The party must focus on the Government's achievements over the past decide: the companie macros the toy. Yorkshire: it is hard to think of less appropriate circumstances for a politi-

decade: the economic success, the tax cuts, the education reforms, the exten-sions of individual choice and freedom. The vibrant 1980s must be contrasted over and again with the sagging and demoralised 1970s.

demoralised 1970s.

The second task is to "expose" Labour's policy review for what it is a sham. Mr Neil Kinnock and his colleagues must be cast as socialists hiding under a centre-ground cloak. "Their conversion is skin deep, they still remain a socialist party, a left-wing party that would bring back all the failures of the past," he said.

With the centre parties now out of the game, the election will be a straight fight between "the successes of Thatcherism and the dismal failures of socialism."

Twelve or so hours earlier, Mr Baker has delivered the same message to hundreds of local activists at a series of dreds of local activists at a series of rather grander occasions in the neigh-bouring safe seat of Skipton and Ripon. Moving easily among the local Con-servative dignitaries in the stately homes of Broughton Hall and Ripley Castle, he never once lets slip his confidence - nor the famous smile that completes his 1950s Hollywood good

Every supporter is treated as the one person Mr Baker had always been waiting to meet. Each gets a promise that his or her particular worry or gripe will be transmitted speedily to Cabinet



Kenneth Baker: taking a grim message back to Westminster

Among the working-class Tories of Batley or the Yorkshire aristocracy at Ripley Castle, the effect is the same. Smiles, applause and a warmish glow. A distinguished matron in regulation grey suit, white blouse and strings of pearls confides that only Mr Michael Heseltine, his arch-rival for the future leadership, gets similar treatment. An audience of 100 or so wining and dining amid the 16th-century splendour of Broughton Hall happily joins a new party game — repeating again and again that unemployment has fallen in Britain for 41 consecutive months.

The worries, however, do not disap-

The worries, however, do not disappear. Albeit with sugary politeness, Mr Baker is reminded constantly about the damaging impact on morale of high inflation and mortgage rates, the poll tax, and the ambulance dispute. The poll tax, the subject of a seropis

Philip Stephens charts Kenneth Baker's tour which begins the election campaign revolt by Conservative MPs just a few

revolt by Conservative MPs just a few days earlier, is on everyone's mind. Many agree with the principle but few believe that the system due in April will work effectively.

Decent, presumably Tory, people in low-rated houses would see their bills double or treble, one activist complained, referring to the difficulties faced by her "daily" help. The Conservatives, she fears, will pay the price in the local elections due in May.

r Baker's soothing words — that the poll tax figures have been exaggerated, that it would be easy now to single out irresponsible Labour councils — are not enough, although no one is so impolite as to remind him that he came up with the whole idea when he was Environment Secretary.

ment Secretary.

On Saturday afternoon at a garish hotel on the outskirts of Bradford, the message at a gathering of some of the region's local Conservative councillors

is rather more cheering.

Mr Eric Pickles, the leader of
Bradford Council, is confident that the poll tax will not prevent the Tories from increasing their wafer-thin majority in the May elections. Others see plenty of scope to play "the loony-left

Mr Baker's keen political antennae, however, will not have missed the over-all message of this latest trip. The Government's supporters are bruised rather

ernment's supporters are bruised rather than battered, but charm is not enough to sustain their morale indefinitely.

That, one can imagine him telling his colleagues this week, will need lower inflation, cuts in mortgage rates, more money to ease the impact of the poll tax, and a gentier touch in sensitive industrial disputes.

North-west is buoyant, says chambers of commerce survey

By Ian Hamilton Fazey, Northern Correspondent

NORTH-WEST England's economy, which accounts for about 11 per cent of the UK's gross domestic product, is showing unexpected buoyancy, in spite of lower national That is the main finding of

the first combined quarterly economic survey of the region by 10 local chambers of com-merce. The chambers usually report separately, presenting a sometimes patchy and confused picture. The new survey covers more

than 800 businesses and presents a much broader picture of the regional economy.

Nearly half the businesses reported fuller order books in the fourth quarter of 1989. Business was steady for a fur-

ther 26 per cent.
Significantly, export activity
in the Manchester area — the
main driving force of the
region — surged, with 40 per
cent reporting more orders as

opposed to only 19 per cent reporting a decline. A year ago, the two figures were reversed.

In the region as whole, only 18 per cent of manufacturers and 11 per cent of service companies shed labour, while 33 per cent and 43 per cent respectively took on more people. A third of manufacturers and 28 per cent of service employers say they will take on more

staff this quarter.

The survey would appear to confirm a trend that emerged in Manchester chamber's survey of the third quarter of last

year, that a substantial part of the north-western economy has become more capable of sus-taining itself and is not so dependent on national or south-eastern trends.

The results are reflected in confidence levels, with only about 7 or 8 per cent of manufacturers and service companies saying that they are going to trim investment in plant or buildings. The bulk — between 61 and 71 per cent — are sticking to previous plans with ing to previous plans, with between 21 per cent and 32 per cent revising investment plans

However, concern remains over high interest rates and inflation, as well as recruit-ment of skilled, professional and managerial staff.

Liquidations blamed on interest rates By Richard Waters

RISING INTEREST rates led to more business failures last year, according to figures pub-lished today by Dun & Brad-street, the business informa-

tion group.

During 1989, the number of business failures rose for the first time since 1984. However, at 18,163, the number of col-

lapses was well down on its 1983 peak of 21,682. The figures show that the number of company liquidations rose by 10 per cent over the previous year's level, to

Bankruptcies among individ-uals, firms and partnerships grew by 9.3 per cent to a total

of 7,966. Confirmation of the growing occurrence of business failure follows recent warnings from insolvency practitioners, who have seen their workload grow as interest rates have started to bite, particularly among

small companies.

London and the south-east experienced a growth of 16.8 per cent from the year before in the number of businesses

going under. At 8,135, just under half of the total number of failures occurred there.

The biggest increases in failure rate, however, were in the eastern region, which were up by 30.7 per cent, and Wales, up by 22.1 per cent.

None of the regions saw a fall in the number of business failures during 1989, although the West Midlands (where the number increased by 2.5 per cent) and south-west (3.4 per cent) were the least badly affected.

that, say critics, can lead to

local social security offices making conflicting decisions in identical circumstances.

NEWS IN BRIEF

Reedpack buys into **Continent**

REEDPACK, the packaging, paper and office supplies group bought out by its management in 1988 for £608.6m, has made two small acquisitions in continental Europe, writes Maggie Urry. It did not disclose the price paid for either company. Spicers, its office supplies subsidiary, has bought Pape-terie de l'Ouest, a French office product wholesaler with turnover of about £14m.

The other purchase is of Mareen, a private Belgian packaging company with annual turnover of £8m.

Economic 'luck'

LUCK rather than genuine improvements in business per-formance lies behind the UK's Dr Robb Wilmot, chairman of the Oasis consultancy and former managing director of International Computers (ICL), said in London, writes Alan Cane. That luck was about to

end, he added. While there had been real improvements in factory productivity through automation and innovations copied from Japan, there had been no comparable improvement in white-collar productivity.

Meyer defiant

SIR Anthony Meyer, the de-selected Conservative MP who challenged Mrs Thatcher for the party leadership last year, said yesterday he would resist the "many calls" for his immediate resignation and for him to stand as an independent Conservative.

Greens' cash crisis THE Green Party has plunged into a "severe financial crisis" brought on by success at lest year's European elections, its leaders said yesterday. The party is thought to food an article party is thought to face an esti-mated £30,000 deficit by March.

MPs, also urged the Government to take sterling into the European Monetary System's European elections. defeat at the hand of the exchange's quotations department, and are referred to its insider dealing group. European Monetary System's European elections.

By Anthony Moreton, Welsh Correspondent

THE SQUEEZE on the British economy which has largely bypassed Wales now appears to be having an effect on the prin-

cipality.
The latest issue of Welsh Economic Review comments that the rate of business fallures increased by 10 per cent in the first half of last year compared with the same period 12 months earlier and the number of company liquidations went up by 40 per cent in the period.

"More significantly," the report states, "the rate of fail-ures in Wales was considerably above that for the rest of the country." It also expects any fall in consumer spending to have an effect on the Welsh economy, which contains companies such as Hoover and

Hotpoint.
Wales has managed to buck much of the downturn in the national economy because of the strong flow of inward investment into the principality. However, unemployment figures published this week, after the Review went to press, show that the number of job-less rose in December for the first time for almost four years.

Although the number was not particularly significant, it does indicate that the long boom might be coming to an

end. Reports from the banks indicate that companies are now taking longer over their investment decisions. Welsh Economic Review,

published by the Cardiff Business School with the support of the Institute of Welsh Affairs, also shows that Wales continues to nurture new businesses. In 1988, the latest year for which figures are available, Wales was fourth out of the 11 UK regions for new company formation. In the first half of the 1980s it had been eighth. Welsh Economic Review. From Cardiff Business School, Column Drive, Cardiff CF1 3EU. 550 cmmual subscription.

Inflation is higher for low-paid, unit says

By Alan Pike, Social Affairs Correspondent

INFLATION FOR the low-paid is running at 8.5 per cent, not the official level of 7.7 per cent, according to an alternative

according to an alternative
Low Paid Price Index.

The index - produced by
the Low Pay Unit and the
National Union of Civil and
Public Servants - is directly
comparable with the official
index, which was published on
Friday and showed inflation at
77 per cent for the second suc-7.7 per cent for the second suc-

The Low Paid Price Index shows that the cost of food, housing and other necessities has risen in comparison with It says prices of some meats

have risen by up to 17 per cent,

potatoes by 16 per cent, butter

by 13 per cent and milk by

10 per cent over the past year. Rent, rates and water charges, according to the alter-native index, have gone up by 10 per cent or more, while the rise in mortgage interest rates has caused hardship for many low-income households.

By comparison, items such as telephones, electrical goods and hi-fi equipment — which are more likely to be available to wealthier households -have shown little increase in price over the year, while motoring costs have fallen.

The Government's Social Fund will today face a High Court challenge from the Child Poverty Action Group and Sheffield Law Centre. The two organisations will

seek a judicial review of the

fund, which is intended to give assistance to people living on Department of Social Security income support. They will argue that it does not give proper consideration to peo-ple's needs.

Poverty organisations have been critical of the fund ever since it replaced the old system of special grants for people dependent on social security benefits nearly two years ago. The fund is intended to help

social security claimants to meet basic, urgent needs such as the purchase of furniture. Unlike the grant-based system, most money from the fund is paid as loans which are repayable out of social security benefits. It is also cash-limited and

Survey identifies language needs

By Lisa Wood

cessive month.

foreign language is one of the skill needs that will affect the future performance of British industry, according to a survey by KPMG Peat Marwick McLintock, the management

consultancy.
The UK-wide survey called Skills Shortages was based on interviews with 210 employees in 104 companies. It identifies three key issues in combating skill shortages: foreign language learning, flex-ible working hours and better

child care. For two of those - foreign language learning and flexible working hours - companies felt they had reasonably well estab-

THE ABILITY to speak a lished policies and were relatively well prepared.

However, employees of the same companies felt that they

were much less well prepared. That was also reflected in conflicting answers to questions on other issues, particularly child care.

Almost 30 per cent of employees felt that their com-pany should provide financial help with child care. None of the companies agreed. Most companies are doing nothing to counter the worsen-ing shortage of skilled workers,

according to a survey published today The findings were contained in a survey of the salaries and

and the second second

conditions of 9,000 secretaries employed by 345 London com-

In 1989, secretarial pay increases dropped back to just over 11 per cent, compared with almost 17 per cent over

the previous year.

The survey, by recruitment consultants Gordon Yates, also asked the companies what steps they had taken to combat the reducing pool of skilled labour caused by population

More than half the respondents - 56 per cent - said: "None." Only 2 per cent were considering company creche facilities to attract mothers

Barclays Bank Stand-By Rate

With effect from 23rd January 1990 the interest rate on Barclays Stand-By facility will be increased from 1.75% to 1.9% per month.



Kuala Lumpur January 22, 1990

By Order of the Board Mohd, Nadzir Mahmud

(c)

By substituting the following new Article for Article 11:

By substituting the following new Article for Article 30:

Special Resolution 1

Pursuant to a Shareholders' Agreement dated September 30, 1980, (hereinafter the Agreement') between Harrisons & Crosfield PLC (hereinafter 'H & C') and Permodalan Nasional Berhad and Harrisons Malaysian Plantations Berhad (hereinafter 'HMPB'), it is a term in the Agreement that in the event H & C's beneficial interest in HMPB be less than twenty percent (20%) of HMPB's total paid-up capital, HMPB will be required to shange its name to a name which does not include 'Harrisons' or the letters 'H & C'. This Resolution is the consequence of H & C having disposed of its entire beneficial interest in HMPB on March 2, 1989, amounting to thirty percent (30%) of HMPB's total past-up capital.

special Kesorumon 2
It is the intention of the Company to increase the fees chargeable on the issuance and replacement of share certificates and the transfer of shares to move accurately reflect the current and future administrative and processing costs incurred and to be incurred by the Company in such procedures. The fees are of course, subject always to the statutory limits lad down by the Kuala Lumpur Stock Exchange Linting Requirements and Companies Act 1965. The proposed amendments have been approved by the Kuala Lumpur Stock Exchange.

Proxy
A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proteins the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's registered office 13th Floor, Merstra PNB, No. 201-A, Jalan Tun Razak, 50400 Kuala Lumpur, not less than 43 hours before the time for holding the meeting or any adjournment thereof.

Lodging a bid to capture the traveller

Hotel groups are fighting hard to meet the upturn in business, writes David Churchill

Accor, of France, the largest hotel group in continental Europe, also believes that the UK offers significant growth and has plans for 80 UK hotels trading under the Ibis and Novotel brand names to be will over the first half of the

built over the first half of the

They will be budget hotels -typically costing under £30 a night - which is where hote-

liers see a clear market oppor-tunity, British business and lei-

sure travellers – and the record numbers of visitors to the UK – are seeking a higher standard of hotel accommodation at an affordable price.

Mr Paul Slattery, a hotels

analyst with Kleinwort Ben-

son, the stockbrokers, points out that much of the UK's

existing hotel stock is in sec-

HOUSANDS of people will have paid 250 a head and more over the weekend to enjoy the scenic delights around Britain's lux-

ury country house hotels. Weekend breaks in luxury country house hotels are among the fastest growing areas of the UK hotel industry, which ended the 1980s with considerably more optimism than it started the decade. Only a few years ago, UK hotels were perceived as a poor investment with sluggish

growth prospects.

Now, however, hotel operators are struggling to find sufficient sites and staff to meet the anticipated demand in the 1990s. The International Hotel and Catering Exhibition, which opens at London's Olympia today, reports a record number of exhibitors - more than 1,000 - with more than 60,000 trade visitors expected from all over the world.

The struggle for sites is typi-fied by the hitter boardroom battle being fought for control of Norfolk Capital, which oper-ates 16 luxury hotels throughout the UK, such as the North British Hotel in Edinburgh and the Royal Crescent in Bath.

Mr Peter Tyrie, until last July managing director of the Mandarin Oriental Hotel Group, is seeking to oust Mr Peter Eyles, Norfolk Capital's managing director. Mr Tyrie's new hotel operation, Balmoral International, has taken a 13 per cent stake in Norfolk Capi-tal at a cost of some £17m and is seeking to persuade other shareholders that Mr Tyrie and

13 % BF\$

Reedpal



North British Hotel: subject of a takeover attempt Hilton, for example, yester-day announced plans for a 236m hotel in the centre of Glasgow over the next two

colleagues would form a more colleagues would form a more effective management team.

The fight, which comes to a head at an extraordinary general meeting of Norfolk's shareholders this month, shows just how keen hotellers are to acquire up-market hotels in the UK.

The potential is also drawing in other entrants to the mar-ket: three former senior execu-tives at Holiday Inn in the UK, for example, are expected to announce next week that they have secured £100m in backing for developing an up-market

hotel chain throughout Britain.
Holiday Inn itself is seeking
to expand in the UK, through
its budget hotel chain called
Garden Court. Other leading hotel groups, including Mar-riott, Hyatt and Hilton Interna-tional have all targeted the UK as a growth market and are planning to build both budget and luxury hotels in Britain over the next few years.

UK Hotels

Number of UK Hotels

Number of UK Rooms (1999)

ondary locations and is old and poorly sited and has a long history of under-investment.
"Quite simply, it is the Fawlty
Towers end of the hotel indusof under-investment.

1986 87 88 89

Towers and or the notes many try," he said.

The new generation of budget hotels — known in the hotel industry as lodges — have the capacity, for example, to accommodate parents and two children, with a private hathroom colour television. bathroom, colour television, and tea and coffee-making equipment for some £25 or so a

Hotel analysts see budget hotels as part of a increasing polarisation in the UK hotel business. Hotel operators, they believe, will be forced to con-centrate developments not only at the budget end of the market but also on more luxu-rious hotels to meet the needs of business travellers and leisure travellers - especially the over-50s - who will have extra disposable income.

That inevitably will put most ressure on the mid-priced UK hotels – in the two, three, and four-star categories - which are neither cheap nor particularly luxurious. They also tend to be located more in town and city centres, when the trend in hotel location in recent years has been towards more out-of-

town hotels.

But the biggest obstacle facing all hoteliers in the UK is simply finding enough staff to operate their hotels. Mr Nor-man Renshaw, market development manager of recruitment specialists Alfred Marks, says that "by 1995 the hotel and catering industry will require
50 per cent more staff than it
currently employs – about one
in every ten of the UK's work-

The shortage is acutely demonstrated in Southampton, where both Novotel and Hilton plan to open hotels this year. With a local unemployment rate of under 5 per cent and more than half of all young people in the area staying on for further education after reaching school-leaving age, hotels are struggling to find staff to train. Nationwide, there are about 120,000 vacan-

cies in the industry.

Mr Malcolm Wood, marketing director of BAA Hotels, said: "There is a negative image associated with recruitment in the hotel and catering industries. We are trying to counter this by developing fresh means of retaining and motivating staff — it is the only way forward for the hotel industry as a whole."

Barrage seen as crucial for **Cardiff Bay** project

By Anthony Moreton, Weish Correspondent

SUCCESS FOR the fibn redevelopment of Cardiff's docklands hinges on winning support in Parliament for a barrage across the mouth of the bay, according to a report commissioned by Cardiff Bay Development Corporation.

A private bill sponsored by the corporation to authorise the 2115m barrage is working its way through Parliament. It has passed through the Lords and is now being considered by a Commons select committee after receiving its second reading before Christ-

The report, which is to be presented to the committee, says, "Without the barrage, the incentives for the develop-ment of much of the area would be diminished."

Opposition from outside

interests, such as the Royal Society for the Protection of Birds, is still being mounted. British Gas withdrew its opposition last week.

The corporation was set up in 1986 to redevelop 2,700 acres of the Welsh capital's decaying docklands, the largest urban redevelopment project in Europe after London's

8,000-acre project.
The project would create an enclosed water area of some 800 acres and allow some three miles of waterside to be devel-

Competition among food retailers will increase, report says

By Maggle Urry

FOOD retailers face a period of takeover of Gateway and the even tougher competition, with the £36bn market not expanding fast enough to support the expansionary aspirations of the market leaders, a report from Verdict Research, the retail consultancy firm, argues. However, a price war

between supermarkets, like that seen in the late 1970s, is unlikely, Verdict says. Only two groups could win such a war - J. Sainsbury and Tesco, the two largest chains - and neither would want to start one. Instead, the focus of competition will be on quality rather than price.

increased margins during the 1980s have partly been achieved through a greater emphasis on higher-margin products such as fresh foods, and through investment in larger stores, which are more

profitable to run.

The ranking of the five leading food retailers has changed during the last year, after the

and second place. Argyll, which owns Safeway, has moved up to third place with 11.0 per cent, Asda has 10.5 per cent and Gateway is in fifth place with 6.2 per cent.

During the 1960s the leaders have gained market share by taking from weaker participants, as well as through acquisitions, Verdict says. In the 1990s, as the powerful groups have a greater propor-tion of the market, it will be

saie of 62 of its superstores to Asoa. Sainsbury, with an esti-

mated 15.8 per cent of the mar-ket, and Tesco with 15.0 per

cent, have remained in the first

Further, other groups, such as Marks and Spencer, have announced expansions of their UK food operations.

Verdict on Grocers and

harder to take additional mar-

ket share.

Supermarkets. Verdict Research, 112 High Holoorn, London WC1V &JS. £495

Newcastle recycling scheme

SOME 2,000 households in Newcastle upon Tyne will take part in a scheme to recycle throw away plastic bottles. The four-week project, believed to be the first such in Britain, will try to re-use the waste material that has proved one of the hardest to dispose of.

The project is a joint venture between the local authority and detergent makers Procter & Gamble, which has head-quarters in the city. It follows research by Procter into recycling dense polythene by sand-wiching it between fresh plastic to make new bottles.

APPOINTMENTS

N.G. Bailey managing director

the board of THE N.G. BAILEY ORGANISATION on February 12 and will succeed Mr Noel Bailey as managing director of N.G. Bailey & Co. Mr Cooper was group managing director of the Coalite Group. Mr Balley retires at the end of April, but will remain a director of the Organisation, becoming chairman during the year.

ELLIS + EVERARD CHEMICALS has appointed Mr Ray Duffin as managing director. He was sales director at Sheffield Insulatious, and succeeds Mr John Philpotts who has become managing director of Ellis and Everar European operations.

HYMAN has appointed Mr Brian Jansen as works director of Halifax-based subsidiaries Ryburn Foam and Ryburn International.

■ PUNTER SOUTHALL KERR & CO, consulting actuaries, has elected Mr Stuart Southall as senior partner. His post as partnership secretary will be taken over by Mr Peter Kerr.

Mr Peter Rawlins has been appointed a non-executive director of LLOYD-ROBERTS & GILKES, underwriting agents at Lloyd's. He is chief executive of the International

A consortium of investors has bought 25% of RYCOTE Aylesbury, from Mr Rupert Lawrence, the founder, who remains managing director. Joining the board will be Mr Trever Bedford, former chief

executive of The Hongkong Land Group, as chairman; Mr Ian McLeish, chairman and managing director of Kerr, McLeish, as financial director, and Mr Michael Sandberg, as a non-executive director representing Hong Kong

Mr. Carl van Leeuwen has been appointed managing director of UNITED TRANSPORT

TANKCONTAINERS. THE GOODING GROUP has appointed Mr Rene Faher as group managing director. He was managing director of Van Leer (UK), subsidiary of a

Dutch company. Mr Cameron Craig has been appointed chairman, and Mr John Scarrow managing director of SOIL MECHANICS, subsidiary. Mr D.L. Poppy, a non-executive director, has

tired, and will be replaced

by Mr John Gains. SHOTTON PAPER COMPANY, a wholly-owned subsidiary of United Paper Mills, has promoted Ma Christopher Robinson from financial controller and company secretary to finance

Cooker maker STOVES has appointed Mr Jim Bates as finance director. He was vice president, General Electric Technical Services Co, London-based subsidiary of the US company.

■ PICKWICK GROUP has appointed Mr John Cummings as finance director. He was chief financial executive and company secretary, and is succeeded as company secretary by Mr Jonathan

 JOHN MOWLEM AND COMPANY has appointed Mr Colin Graidage to the boards of Mowlem Construction Company (East Africa),

Mowlem (Pakistan) and Mowlem (Uganda).

Mr Roger Cadbury has

joined WHITWORTHS HOLDINGS as group managing director. He was previously managing director of General Foods. Mr Bob Shortland becomes company secretary.

Mr Hugh Scurfield has been elected president of the INSTITUTE OF ACTUARIES in succession to Mr Rogar Corley and will take up office on June 25. He is general manager and actuary of Norwich Union Insurance

■ GE CAPITAL CORPORATE FINANCE GROUP has appointed Mr Educard Altenhoven as director. He will have specific responsibility for spearheading expansion into the German market. He was previously with Deutsche Bank, where charge of corporate finance.

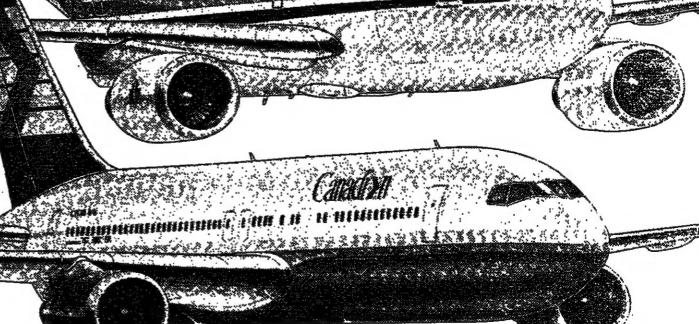
■ HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr T.C. Boles, Mr J. Gordon, Mr D.L.P. Kelly, Mr D. Martin and Mr J.E.R. Wanchope to the board of Gardner Mountain Capel-Cure

SINGER AND FRIEDLANDER has appointed its first board director in the South West. He is Mr Peter Burditt, who is based in the Bristol office.

 PHILIPS FINANCE SERVICES, part of the Philips Electronics Group, ha appointed Mr David Denton as manager, asset finance division. He previously held a senior management post within the leasing activities of Forward Trust Group, part of the Midland Bank.

More appointments on page 10

desarroupertering there i presentes



PUBLICATION JUDICIAIRE

La 17ème chambre du Tribunal de Grande Instance de Paris, par jugement en date du 12 juillet 1989, a déclaré Monsieur Claude PERDRIEL, directeur de publication du journal LE NOUVEL OBSERVATEUR, coupable de diffamation publique envers un agent chargé de l'autorité publique, Monsieur Alain BOUBLIL. Elle a déclaré Monsieur Jean-Jacques CHIQUELIN, journaliste, coupable de complicité de ce délit, faits prévus et réprimés par les articles 23, 29 alinéa 1, 31, 42 et suivants de la loi du 29 juillet 1881.

Elle a condamné Messieurs Claude PERDRIEL et Jean-Jacques CHIQUELIN à la peine de QUATRE MILLE FRANCS d'amende chacun.

Elle les a condamnés solidairement à payer à Monsieur Alain BOUBLIL la somme de DIX MILLE FRANCS à titre de dommages intérêts et celle de QUATRE MILLE FRANCS au titre de l'article 475-1 du Code de procédure pénale.

Pour extrait, Maître Thierry LEVY, Avocat à la Cour.

(WITH ONE OUTSTANDING BUSINESS CLASS IN BOTH.)

The two airlines you see above are, from now on, flying in formation.

They have merged.

For your information, allow us to fill in a little background.

You can be forgiven if you have not heard of Canadian, or to give its full title, Canadian Airlines International.

It has never served the UK before. It has, however, served mainland Europe, and other parts of the world, with distinction for many years.

(Ask any regular European business traveller.)

By contrast, Wardair needs no introduction. Not only has it served Britain for some time, but its reputation for service

seems to have reached every corner of the globe.

From this merger, we've emerged.

And there aren't many global corners we don't reach. We serve more destinations in Canada than any other airline.

And from now on, every week we'll have seventeen flights from Gatwick, and three from Manchester.

And on every flight our renowned

Business Class will be available. So if you're planning to go to Canada, on business or pleasure, you might say

ours is a marriage of convenience. -Canadian Airlines International----

For reservations please contact your travel agent, or call: 0800 234 444.



Hall & Tawse Group Limited

DESIGN AND BUILD

SPECIALIST WORKS

Salford Quays project

LAING NORTH WEST has landed a £31m design and construct contract as part of Charter developments' Exchange Quay project in Salford Quays. The contract is for the south side of the 7.2 acre site and includes two office towers, a pavilion office building plus a shopping mall and car parks beneath the offices. Completion is scheduled for August

Road scheme

A contract to build the Catthorpe interchange section of the MI/Al Link Road has contract to build the been awarded to TARMAC. The contract, the fifth of eleven contracts on the MI/AI link road to be let, is worth

The contract includes the provision of a junction between the link road and both the MI (Junction 19) and the M6 motorways in Leicestershire. Construction will consist of north facing slip roads to and from the Ml and west facing slip roads to and from the M6. There will also be alterations to the B5414, including the provision of two round-

CONSTRUCTION CONTRACTS

£70m City of London offices

AND MANAGEMENT has won a contract worth £70m for the construction of an office building for Beaver House at 67 Upper Thames Street, London

The building, which is to be known as Bull Wharf, will cre-ate six storeys of office accommodation above road level, while parking, storage and mechanical engineering plant will be located on three to five

HILL levels below ground. The reinforced concrete framed structure will be clad in granite and curtain walling and will have a central atrium.

> Internally, the building will have raised floors, suspended ceilings, 11 lifts and will be totally air conditioned. The gross floor area will be 400.000

Extensive work on its riverside frontage will include the

installation of terracing and strengthening of the river wall.

Design architect for the project is Crang and Boake Inc of Toronto and executive architect is Covell Matthews Wheatley. Consulting engineer for the structure is Bylander Waddell Partnership in association with MS Yolles and Partners of Toronto, and for the services Rybka Smith Ginsler and Bat-

Major shopping centre for Sutton

BUILDING has been awarded a £69.3m contract by the Sutton St. Nicholas Partnership for the construction of a major shopping centre development in Sutton, Surrey. This follows on from the enabling works contract awarded to Balfour

Beatty last summer.
The three to six storey St
Nicholas Centre will provide a combination of department stores, individual shops and

malls and is due for completion in April 1992. The total gross floor area will exceed 50,000 sq metres. The centre will be constructed of a concrete frame on piled foundations over a base-

A six storey car park is to be built on an adjacent site to provide 731 car spaces together with ground floor shop units with a gross floor area of over 25,000 sq metres. The car park

will be linked to the centre by means of a two tier bridge. Sutton St. Nicholas is a joint venture between Cannon Assurance, Maybrook Properties and P&O Properties. The development is being funded by Norwich Union which will take the head leasehold interest on completion of the scheme. The freehold will be retained by the Lordon. retained by the London Bor-ough of Sutton. Balfour Beatty is a BICC company.

Supplying Channel Tunnel services

Channel Tunnel design contract worth around £2m has been awarded to H AND G ENGINEERING - the UK process engineering and management contractor - by Transmanche-Link (TML) for permanent tunnel pipework.

The contract calls for the

provision of detailed design and procurement management services in connection with three main pipework systems serving the tunnel: 1) Drainage system - removal of drainage water involving a total pipe run of about 100km. 2) Firefighting system

involving a total pipe run of about 100km. 3) Tunnel cooling system involving a total pipe run of Corporation, a diversified about 200km. A feature of the project is struction company,

the 'fast track' commitment which involves completion of the design phase in five months and a procurement and quality assurance programme extending over 17 months.

H and G Engineering is part of the engineering and con-

struction division of Enserch

APPOINTMENTS

Castrol senior posts

Following the retirement of Mr V.W. Good, director-eastern hemisphere, CASTROL has made the following appointments: Mr M.B. Dearden has been appointed directorsouthern hemisphere; Dr G.D.T. Owen has become director-Asia; Mr T.R. Crane, president and chief executive of Castrol Inc USA, is named director-North America with

CONTRACTS

& TENDERS

WANDSWORTH

BOROUGH COUNCIL

Maintenance of boiler

equipment in the London

Borough of Wandsworth

Heating and westilating contractors particularly with experience of housing district heathing systems I wishing to usu-der for general and specialised maintenance works to 10d district houses, specifiery plantrooms, cold water housing plants and roof top extract far must as well as individual breakdowns in approximately 9,500 Corporation housing dwellings served from district and central heating systems should submit masses to the Chrof Essentive and District of Administration, Room 111. The Town Hall, Wandsworth High Sirees, London, SW18 2PU by March 1990 quoling reference No. DH/56.

Scienced contractors will be havined to tender on a fixed price basis for a two year contract period to maintain all items as saired above and these prices shall include a goarantee of workman-ship and thereby cover all 24-hour emergency callouts.

All applicants must provide the follow-ing information:-

(a) The full name of the company wishing to be considered to trader. (b) Details of labour force, plant, and technical and supervisory staff monitohic

available.

(c) Names and addresses of three technical referees able to provide details of their technical competence.

(d) Details of recent work of a similar pattern, particularly that for public

organisations.

(e) A copy of their certified accounts for the last two finences) years together with the same and address of their Bankers.

(f) That may possess immrance cover under Public Lublity up to a listed of £1,001,000

(g) A copy of

(g) A copy of their Construction Industry Tax Deduction Certif-

cate.
(h) That they can demonstrate the capacity to provide a computerised system for monitoring and recording all service items and breakdowns.

breakdowns.

(i) That they can demonstrate knowledge and experience un combustion, electronic's and electrical fault finding, including the understanding and operation of computerised bodershouse management systems.

(i) A copy of the Company's policy statement in accordance with the Health and Safety at Work Act 1973.

It is anticipated that tenders will be invited from selected contractors at the cod of April 1990.

(Applications should refer only to the above-mentioned scheme and must not incorporate replies to other advertisements placed by Wandsworth Borough Council, Late applications will not be

G K. Jones Chief Executive and Director of Administration

RENTAL

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additional responsibility for Canada: Dr B.J. Ridgewell suc-ceeds Dr Owen as development

Mr R.N. Young has been appointed to the board of Burmah Speciality Chemicals as chief executive coatings division. He has also assumed responsibility for the adhesives

COMPANY NOTICES

BRAZILIAN EQUITY HOLDINGS ed Office: LUXEMBORG, 19

The annual general messing of share-holders will be held at 19 Rue Theodore Eberhard, at Luxembourg on 5 Febru-ary 1990 at 12 seem for the purpose of considering and voting upon the follow-ing matters. ng matters;

To hear and accept the reports of:
(a) the directors;
(b) the commissues:

To approve the balance sheet and
the profit and loss account for the
financial year ended 30 September
1980.

To ducharge the durectors and the commissaires with respect to their performance of duties during the liganized year ended 30 September 1989.

year.

5. To clost the directors to serve until
the next general general meeting of
shareholders.

shareholders.

6. To elect the commissuires to serve usual the next annual general meeting of shareholders.

7. Any other business.

7. Any other business in the shareholders are advised that no quorum for the natural general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part in the general meeting of shareholders of 3 February 1990, the owners of bearer shares are equired to deposit their shares three business days before the meeting at the registered office of the company or with Banque Generale da Lunembourg, S.A., 27 Avenue Montorty, Lunembourg.

Bearer or registered shareholders thould lodge their provies with the company three business days before the meeting. THE BOARD OF DIRECTORS

LEGAL NOTICES

Petition - Cairn Energy Pic for Confirmation of Reduction of Share Premium Account

In the above Petition, an Interlocutor was pronounced by the Court of Session on 15th December 1989 in the following terms:-

December 1989 in the following terma:

The Lords having heard counsel for the Petiboner and considered the Petition along with
the report by D S Williamson, Sorellor, Edinburgh, number 27 of Process, direct that the
provisions of section 136(3) 2(5) of the Companies Act 1985 shall not apply as regarde
the Creditors of the Company or any class of
them; confirm the reduction of share prenium account resolved upon by the special
resolution of the Company dated 6th December 1985 and sat forth in the Petition; direct
the registration of this order by the Registrar
of Companies and on said order being so
registered order notice thereof to be given
by advertisement once in the Edinburgh
Gazette, and once m each of the Scotsman
and Financial Times newspapers.

"Donal M Regs IPD"

The Engineering Services will be carried out under the direction of Mr. R.J. Sheppard F.R.J.C.S., F.J.H., Director of Housing, Town Hall, Wandsworth, SW18 4AF. Of which intimution is hereby given,

LOMBURY LEISURE LIMITED

RENTALS Registered number: 2332543 registered number; 233258; Former company name: Argain Limited Trading name: Merthyr Sto Centre Nature of business: Ski Centre Trade classification; Lelaure Industry KENWOODS Date of appointment receivers. 29 Dec

Name of person appointing the joint advantive receivers: National Westminster

JOSEPH PATRICK CONSIDINE and CHRIS-TOPHER JOHN HUGHES Joint Administrative Receivery (Office holder nos 058 and 141) Cork Gulty Churchill House Churchill Way Cardid CF1 40Q

■ At THOMAS LOCKER (HOLDINGS) Mr James Percy Barker has been appointed a non-executive director. He is a partner of Slater Heelis, solici-

■ Mr Clement Wheeler has been appointed to the board of TOWN & COUNTRY BUILD-ING SOCIETY. He is a partner of St Quintin, a London-based firm of chartered surveyors.

■ BWD RENSBURG, part of the BWD Securities Group, has made Mr Jonathan Clark an associate director in its Leedsbased corporate finance divi-

■ COLLINDA has appointed Mr B.J. Turley as managing director of Collinda Internaman and Mr LP. Evans and Mr M.J. Moss have joined the

■ At H & T Components Mr Maurice Clynes has been appointed director and general manager. Mr Ray Carter has become engineering director and Mr Kevin Hancox sales director.

■ Industrial packaging specialist ARMOUR BARPAK has appointed Mr John Roffrey as rector of marketing, technical services.

Mr Vincent Byrne has been made managing director of KIER BUILDING and Mr Trevor Howard a director of KIER MANAGEMENT.

Mr Peter W. Walton has been appointed group finance director of EQUITY & GEN-ERAL, replacing Mr Richard D.W. Banks who is leaving the group. Mr Walton was group finance director of Perry Group.

■ HELICAL BAR has appointed Mr Gerard R. Kinally to its main board as director responsible for corporate development. He was previously managing director of Wates Building Group Proper-ties and group finance director of Wates Building Group.

Mr Ian B. Stewart has become an additional director at MITIE GROUP.

Mr Terry Backham has been appointed managing director of LONDON ARTID PLASTICS, Slough-based BTR subsidiary.

Mr Philip Reid, a board director, has been elected chief executive of WINDSOR, Lloyd's broking and financial services group.

man Mr Alan Rudge has been appointed managing director of WILSON (CONNOLLY) PROP-ERTIES, wholly-owned subsidiary of Wilson (Connolly) Holdings. He joined the group from Barclay Securities in May 1978 and was appointed a director of the property company in 1984.

Mr G.H. Moody-Stuart has joined the board of BOOKERS SUGAR CO as a non-executive director. He is corporate affairs director of Booker Tate, a director of Mumias Sugar Co in Kenya and a director of Pel-watte Sugar Co in Sri Lanka Mr Colin Campbell has retired as an executive in the Booker Group, but continues as a nonexecutive director of Bookers



pean marketing company for Volvo cars being set up by Volvo Car Corp in Brussels.

■ Mr Keith M Taylor has been appointed non-executive chairman of SEAL TECHNOLOGY SYSTEMS, Cardiff-based supplier of components to the motor and other industries. Seal was a management buyout in 1988 from Aeroquip Cor-

Mr Nicky Branch, chairman and chief executive of Renais-sance Holdings, has been appointed non-executive chairman of CASKET. He replaces Lord Barnett who is to resign. Mr Joe Smith becomes chief executive in succession to Mr Vy Menon, who continues as managing director, concentrating on the textile interests. Mr Smith was finance director of Norton Opax. Mr Neil Balfour, chairman and chief executive of York Trust, has joined the board as a non-executive direc-

ing director, employee benefits.

At STANTON, subsidiary of Saint-Gobain, Mr Geoffrey Nicholls, chief executive, becomes chairman, and adds a number of other responsibilities including chairman of Stanton Bonna Concrete. Mr Daniel Rolland, Mr Nicholls' deputy, is promoted to chief

■ Mr Geoff Slater, former managing director of Wimpey Construction UK, has become a non-executive director of BROADWAY CONSTRUC-

as managing director.

Wednesday

Lords: Debate on the Deterior-

ating State of London Traffic,

followed by debate on Hong

Kong. Question to Government on Future of the Probation Ser-

Select Committees: Welsh Affairs - subject: Toxic Waste Disposal Witnesses: Represen-tatives from Welsh Health

Authorities and the Department of the Environment

Conservancy Council, Country-

(Room 8, 10.30 am)

Commons: Social Security Bill,

PARLIAMENTARY

Today

Second Reading.

Lords: Criminal Justice (International Co-operation) Bill, Committee Stage. Question to Government on the Scottish Agricultural College.
Select Committee: Public

Accounts - Subject, The NHS and Independent Hospitals. Witness: D K Nichol, NHS Management Board (Room 16, 4.30 pm)

Tomorrow Commons: Debate on the Autumn Statement. Motion on Code of Practice for Trade Union Ballots for Industrial Action

vices Bill. Committee. Motions on the Co-operative Development Agency Order, the European Communities (Privileges of the European School) Order and the European Communi-ties (Definition of Treaties) (European School) Order Committee on Private Bill -Kings Cross Rallways (Grand Committee Room, Westminster Hall, 10.30 am)

FINANCIAL

Westport DIVIDEND & INTEREST PAYMENTS-BAA 4.59 Beboock International 1.2p

tion Society, Worldwide Fund-for Nature (Room 6, 10.45 am) Trade and Industry - subject, Company Investigations. Wit-nesses: Serious Fraud Office,

TODAY COMPANY MEETINGS-ther (A.I.), City Conference Centre, 76 Mark Lane, E.C., 10.30 sait, Brown, Shipley & Co., Lothbury, E.C., 12.00 BOARD MEETINGS-Finalist Autoti Assoc. Baidwin Pavilion Leisure Interteur; Bagies (John) GT Japan kry, Tat, Heath (Samuel) Menvier-Swaln

Sper Thornycroft 8.125p WEONESDAY JAN COMPANY MEETINGS

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Barbook International 1.2p
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Warringtons 1p
COMPANY MEETINGSBeas, Barblean Centre, EC., 12.00
Leeds Group, Post House, Bramhope, Leeds, 12.00
SARD MEETINGSBeas Barblean Centre, EC., 12.00
Leeds Group, Post House, Bramhope, Leeds, S.W. 12.00
BOARD MEETINGSBearings

Hotel, W. 12.00 Sootien Inv. 12.00 Sootien Inv. 12.00 Sootien Inv. 12.00 Inv. 11.00 Inv. 12:00 nks Hovis McDougall, Royal Lancaster Hotel, W., 12:00 Tet., 6 Albyn Place, Edinburgh.

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International Hotel and Catering Exhibition - HOTELYMPIA February 13-15. Olympia

Enterprise Exhibition (01-642 Barbican, London February 13-15 January 27-31

Hobby Fair (01-701 7127)

Bar
Earls Court February 20-23 January 30-February 1 Construction Industry Computer Exhibition (01-251 5885) Rarbican

Exhibition - NATIONAL CONNECT (0652 650505) International Spring fair (01-855 9201) NEC, Birmingham G-Mex Centre, Manchester February 25-27 Menswear Fair - MABNORTH February 7-9
Undersea Defence Technology
Conference and Exhibition
February 25Menswear Fa
(01-437 8754) (0892 44027)

Novotel, London February 7-11 Scottish Boat, Caravan, Camping and Leisure Show (041-221 Trade Fair (01-637 2400) G-Mex Centre, Ma

Business and management conferences

January 22 Profex: The United Kingdom property insolvency conference (01-950 0400) The London Marriott Hotel January 22-23 Financial Times: Creating a Euro-workforce in the 90s

Joint CB/British Gas Conf: Tunisia - Future prospects for the UK (01-379 7400) CBI Centre Point, London January 25 Hawksmere: 1992 - Opportuni-ties and pitfalls for the Euro-

pean insurance industry (01-824 Scandic Crown Hotel, Brus-January 31-Pebruary 1 Concorde Services: Broadcast

satilite television marketing conference (01-743 3106) Inn on the Park, London February 7 BCB Conference: Disaster relief and mitigation (01-222 3651) QEII Conference Centre,

vice; the key to total customer satisfaction (01-976 6565) Marriott Hotel, London February 12-13

Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323) Singapore

National Materials Handling Centre: Warehouse & distribu-

tion software conference - technology for profit (0234 750323) Ramada Inn, West London

February 15 Design for Europe conference (01-228 8034) QEII Conf Centre, London February 16 CBI Conferences: Legislation behind the Social Charter

(01-379 7400) Centre Point, London February 19 Technology Forum: Risk assessment techniques and fire safety (01-519 4105)

1004) Institute of Petroleum, Lon-

February 22 PCTS: ESOPs, share schemes, and performance related pay for executives and employees (01-284 0470)

Feberuary 22 reperuary 22
Tolley: International tax planning conference (01-680 5682) London Press Centre February 22-23

London Marriott Hotel February 28-March 1 Finanacial Times Conference:

Cable television and satellite broadcasting (01-925 2323) Hotel Inter-Continental, March 5

The London Motor Conference-Manufacturing, Components and the Aftermarket (01-925 2125) Royal Lancaster Hotel, Lon-

Commons: Opposition Debate

DIARY DATES

Defence - subject, Physical entitled "Failure of the Govern-ment's Schools Policies" fol-Security of Military Installa-tions. Witnesses: MoD officials lowed by Opposition Debate (Room 16, 10.50 am) entitled The Problems and Needs of Disabled People". Motion on Weish Revenue Sup-port Grant Reports.

Employment - subject, Tourism. Witnesses: Department of Employment officials, and the National Trust (Room 20, 4.15 Social Services - subject, Community Care. Witnesses:

Mrs Virginia Bottomley, MP, and Mr Roger Freeman, MP, Health Ministers, and Rt Hon Nicholas Scott MP, Minister of State for Social Security and the Disabled (Room 6, 4.15 pm) Transport - subject, Aircraft Cabin Safety, Witness: CAA (Room 17, 4.15 pm) Treasury and Civil Service -

Agriculture - subject, Fish Farming. Witnesses: Nature subject. International Debt Strategy. Witnesses: Sir Jer-emy Morse, Chairman, Lloyds Bank, and Sir Kit McMahon, Chairman, Midland Bank side Commission, Countryside Commission for Scotland, Royal Society for the Protec-tion of Birds, Marine Conserva-

(Room 8, 4.30 pm)
Procedure - subject, Working
of the Select Committee System. Witness: Rt Hon Robert
Sheldon, MP, (Room 21, 4 pm)

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National Australia Bank 35cbs
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Thursday January 25
COMPANY MEETINGS
Airtours, Stanneysands Hotel, W.
Cheshire, 11.50
Chemical Addison Works, Franco

Public Accounts - subject, Quality Control of Roads and Bridges, Witness: Sir Alan Bai-The Stock Exchange Insider Dealing Group (Room 15, 10.45 ley, Department of Transport (Room 15, 5 pm)

Committee on Private Bill -Kings Cross Railways (Grand Committee Room, Westminster

Hall, 10.30 am)

Thursday Commons: Motion on Scottish Housing Support Grant Orders and Revenue Support Grant Reports. Motion on EC Document on Shipping and Dangerous Goods and on Merchant Shipping Regulations. Opposed Private Business at 7 pm Lords: Courts and Legal Services Bill, Committee. Trade Union Act 1984 (Amendment)

Bill, Report. Committee on Private Bill-Kings Cross Railways (Grand Committee Room, Westminster Hall, 10.30 am)

Friday Commons: Private Members Bills.

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FREANY JANUARY 25
COMPANY MEETINGS
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Overseas

exhibitions January 26-27 19th International European Coin Convention Fair (061) 685

February 8-14 International Toy and Hobby Fair (01-930 7251) Nuremberg

Barbican, London International Boat Show March 11-17 (01-486 1951) Helsinki

International Confectionary, Chocolate, Biscuit and Pastry, Exhibition – INTERSUC (01-225 5566) February 22-25

International Sports Equipment & Fashion Trade Fair ISPO SPRING (01-940 4625)

International Spring Fair (0375

Leipzig

4

FINANCIAL TIMES CONFERENCES THE LONDON MOTOR CONFERENCE 5 March, 1990 - London

The Financial Times London Motor Conference, to be chaired by Dr John Wormald, Principal, Booz Allen & Hamilton International (UK) Ltd is the sixth in this successful series. Timed to coincide with the Autopartac '90 Exhibition, distinguished figures from the industry will discuss the challenges facing vehicle and components manufacturers, suppliers, distributors and retailers as the Single European Market approaches.

The keynote address will be given by Louis E Lataif, President, Ford of Europe Incorporated. Dr-Ing Hansjörg Manger, Member of the Board of Management, Robert Bosch GmbH; Osamu Iida, Managing Director of Honda Motor Europe Ltd; Professor Dr. Walter Kunerth, Group Director Automotive Supresses Charles Statement Act Top Motor Europe Lid; Professor Dr Walter Kunerin, Group Director - Automotive Systems Group, Siemens AG; Tom Farmer, Chairman and Chief Executive of Kwik-Fit Holdings PLC; Richard Martin, Chief Executive of Mann Egerton & Company Ltd and Peter J Edge, Director of Parteo Group Ltd are among the speakers taking part.

THE EUROPEAN WATER INDUSTRY 26 & 27 March, 1990 - London

The European water industry is set for a decade of controversy and change as the environmental lobby and the European Commission seek to tighten standards and improve quality. This conference will provide an important opportunity to examine the crucial decisions and challenges facing the industry in Europe, the environmental issues involved in water supply and in improving pollution control.

Speakers include: The Rt Hon Christopher Patten, MP. Speakers included in the Environment, Martin Grüner, Secretary of State for the Environment, Martin Grüner, Parliamentary State Secretary, Federal Ministry for the Environment, Nature Conservation & Nuclear Reactor Safety, The Rt Hon The Lord Crickhowell, Chairman of the National Rivers Authority, Christine Morin-Postel, Senior Vice President of Corporate Development and International Operations, Lyonnaise des Eaux, Roy Watts, CBE, Chairman of Thames Water plc and Michael Swallow. Director of the Water Companies' Association.

WORLD PHARMACEUTICALS CONFERENCE 26 & 27 March, 1990 - London

This topical two-day conference, arranged in association with Coopers & Lybrand Deloitte, will focus on research, development and marketing and assess the rapid changes facing the international pharmaceuticals business in the next decade, at a time when the industry has seen a number of mergers and business alliances. The steadily rising costs of mergers and pushess difference. The scenary rising costs of research, the need to identify corporate R & D strategies to maximise capital returns and the challenges of new product development will also be debated.

Sir Paul Girolami of Glaxo Holdings will deliver the keynote address and other speakers include: John F Chappell, SmithKline Beecham; Professor Dr Jürgen Drews, F Hoffman-La Roche; Igor Landau, Rhône-Poulenc Sante; Dr. Bodgar, The Squibb Institute for Medical Hoffman-La Roche; 1gor Landau, Knone-rousenc Sante; Dr Andrew G Bodnar, The Squibb Institute for Medical Research; Professor Trevor Jones, The Wellcome Foundation; Professor Walter P von Wartburg, CIBA-GEIGY AG and Robert Hankin, Commission of the

All enquiries should be addressed to:
Financial Tunes Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

LEX SERVICE has appointed Mr Jon Walden (above) as eging director from Februwhich is jointly owned with Lombard North Central, He is assistant managing director of another subsidiary, Volvo Con-cessionaires. Mr Stephen Dixon, managing director of Lex Vehicle Leasing, becomes managing director of Volvo Concessionaires. He succeeds the present chief executive Mr Philip Payze who leaves the company at the end of March to become head of a new Euro-

BAIN CLARKSON FINAN-CIAL SERVICES has appointed Mr David King as UK market-

■ Mr John Kemp has joined HINTON HILL AND PHILIPPS

NOTTINGHAM IMPERIAL BUILDING SOCIETY has elected Mr Richard Bonnello as chairman. He has been deputy chairman since 1982 and succeeds Mr C.W. Westlake who has retired, Mr A.J. Hamilton becomes deputy chair-

Trade fairs and exhibitions: UK Exhb and Conf Centre, Glas-

Corporate Computer Security '90 International Exhibition and Conference (0733 60535) Novotel, Hammersmith The Property Business 31 1717

London Food Exhibition (01-486 Wembley Centre February 20-22 **Business Communications**

Harrogate February 28-March1 Northern Wine and Spirit

Hotel Inter-Continental. IBC: Global emerging stock markets - the potential for the 1990s (01-637 4383) Portman Inter-Continental Hotel, London

Europe 1990 - 4th annual

February 8 The Economist Managing ser-

February 19-14

London Tara Hotel February 20 Information for Energy Group: Oil price information (01-636

Cafe Royal, London

Acquisitions Monthly and Bankers Trust Company: Acquiring in Europe (01-828

Financial Times Conferences:

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

The state of the s

INTERNATIONAL AIRCRAFT SERVICES, which is involved in the trading, leasing and financing of alreraft, is a fast growing and dynamic company located in Shannon.

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Michael P. O'Toole Vice-President - Legal Affairs INTERNATIONAL AIRCRAFT SERVICES IAS House Co. Clare

The Financial Times will be publishing the results for the Chartered Institute of Management Accountants on Thursday 8th February.

The advertising rate is £53.00 per single column centimetre, with premium positions available by arrangement at £63.00 per single column centimetre.

For further information please contact: Nicholas Baker 01-873 3352 Elizabeth Arthur 01-873 3694

ONFFRENC

LEGAL COLUMN

The route to reform of the Bills of Lading Act

By Robert Rice, Legal Correspondent

LAST SUMMER the Law Commission produced a working paper on rights to goods in bulk, which highlighted the difficulties faced by international commodity traders in obtaining title or property in goods forming part of bulk cargoes in order to sue carriers of goods damaged or lost in

Under the present law, which is governed by the 1855 Bills of Lading Act, the buyer of a bulk cargo can sue the carrier, but only if ownership of the goods passes to the buyer at the same time as the transfer of the bill of lading.

That causes difficulties. Sale-of-That causes difficulties. Sale-ofgoods legislation prevents property in
goods from passing before the goods
have been identified, which in the
case of bulk goods means that property will not pass at the earliest
before the goods have been discharged at port — which is frequently
after the transfer of the bill of lading.

The commission proposed two solu-The commission proposed two solu-tions, the first of which was to amend tions, the first of which was to amend the sale-of-goods legislation so that parties could contract to pass title in goods before they have been identi-fied. The second was to amend the Bills of Lading Act, either to allow buyers to succeed to the shipper's rights and liabilities in respect of the carrier where property in the goods would have passed to the buyer but would have passed to the buyer but for the fact that the goods formed part of a larger bulk; or to remove all references to the passing of property in goods as a prerequisite for acquisition of contractual rights and liabilities by the buyer.

After a period of consultation with

traders, the shipping industry and the

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legal profession, it has become clear that the scope of the commission's proposed reform is too narrow and that there are much wider and argu-ably more serious difficulties with the Bills of Lading Act, which stretch

beyond bulk cargoes.

At a seminar held by the commission in London last week to try to identify the correct approach to reform, it became clear that the biggest snag with the current law arose where property in the goods either did not pass at all, or passed indepen-dently of the transfer of the bill of lading, and thus the transfer of the bill played no part in the transfer of

the property. That arose recently in two impor-tant Court of Appeal decisions, The Delfini and The Aramis.

In The Delfini the bills of lading arrived at the port of discharge 11 days after completion of the delivery so that they were in no way instrumental in transferring title in the

The case has important implications where there are long chains of sales contracts and comparatively short sea voyages.

Short sea voyages.

It is also a particularly good example of the unsatisfactory results that follow from linking in law the acquisition of contractual rights to the pass-

ing of property.

Apart from the fact that the buyer, who in due course received a document of title, could not sue the carrier, there was no consensus in the Court of Appeal on when property in

the goods passed.

Respondents to the working paper clearly felt that assignment of title

provided no real solution. Apart from the fact that the buyer is left at the mercy of the seller, who may or may not choose to co-operate in assigning his rights, it is generally thought that many foreign sellers will be unwilling to change their standard sale terms simply to accommodate a defect in

Over and above the two options for reform put forward in the commission's working paper, there are sev-eral other possible solutions on which it would welcome comments.

One solution would be to allow the transfer of contractual rights and lia-bilities to the buyer to whom the property was intended to pass under the underlying contract of sale. Another option would be to break the connections between the transfer of property and transfer of contractual rights and between the transfer of

contractual rights and contractual labilities in the Bills of Lading Act.

By far the most popular solution would be to remove all references to property in the relevant part of the act and instead make risk the deter-mining factor, so that the person at risk of suffering the loss has the right

to sue. Since risk determines who suffers loss, it could be argued that it should also determine who can sue in respect

The commission now has to determine the best solution for reform and decide how wide-ranging reform should be. Should the law be reformed to cover cases in which documents other than hills of lading are used? Should the reformed legislation cover documents such as sea waybills.

ships' delivery orders and multimodal transport documents? Whatever it decides, it is clear that English law is far from satisfactory in this area at the moment and that

something must be done quickly to remedy the situation if England's international trading status is not to

The international expansion of law firms continues to gather speed. Lovell White Durrant is to open an office in Paris in May, Clyde & Co have opened offices in Sharjah and Dubai, and a Cheltenham firm, Wiggin and Co, has been issued with California's first ever licence for a UK solicitor to practise as a "foreign legal consultant" under the new State Bar Proce-

Among the more intriguing recent announcements was that McKenna & Co is to develop its not insubstantial Asia practice in conjunction with one of Australia's leading commercial law firms, Morris Fletcher & Cross.

The joint venture between the two firms in the Asia-Pacific region is intriguing not only because it is the first agreement of its kind between a UK and an Australian firm, but because it is not immediately apparent why either firm needs the assistance of the other to build on the work it is each currently doing in the

McKenna's expansion into Asia began about 10 years ago. It now has three offices - in Hong Kong, Singa-pore and Tokyo - and has committed considerable resources to building a

general commercial-corporate and construction-project practice in the area. The firm is closely involved in the building of the second cross-har-bour tunnel in Hong Kong, for exam-

Naturally, it wants to build on those foundations, but looking at the investment that it has to make elsewhere - new offices plus equipment and training of staff in the UK, expansion into Europe, particularly Eastern Europe – it soon became clear that it could not do all those things and expand in Asia too without over-

stretching itself. It was at that stage, according to partner Mr John Bellhouse, that the firm began to think in terms of a loose joint-venture arrangement in the Asia region to give the firm a smaller slice of something bigger.

They chose an Australian firm because Asia is Australia's backyard and Australian law firms, although conscious of the enormous potential for work in the region, have in gen-eral been slow to do anything about growing economies in the world, Mr Bellhouse says. Hong Kong, Indonesia and Malaysia are teeming with infra structure projects

The deal with Morris Fletcher has been two years in the making. It will start with the placement of

two Morris Fletcher partners in McKenna's Hong Kong offices and one

associate in Singapore.

Where possible (local bar rules permitting), the firms will practise in Asia under the name McKenna Morris Fletcher. Further expansion will be

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Building up to a manageable

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Paul Cheeseright follows the machinations involved in finding tenants for a property

ttaché cases were snapped open, papers spread on the board-room table, coffee cups filled. The time: three in the afternoon of January 4. "We bought it 55 minutes ago." said Neil Webster of Reinhold, looking over his beardroom. The "It" is 20 Bedfordbury a

said Neil Webster of Reinhold, looking over his boardroom. The "it" is 20 Bedfordbury, a five-storey office building in Covent Garden, part of London's West End. This is the story of the

search for tenants, the leasing of the building. How many chapters there will be, how long the leasing will 'ake - these are questions to which there is no immediate answer.

The facts are, on the one hand, that the building is brand new, Reinhold, having bought it from the developers, Argent Estates, wants to lease it to a variety of tenants, floorby-floor; and, on the other hand, the market is not what it was - no longer do potential occupants come knocking on the door begging for space.

The prologue of the story is the push by Swedish investors, freed from exchange controls, into the London property market. Reinhold — a Swedish company — has set up another called GLP (Greater London Properties), in which Enskilda Securities and a variety of Swedish private investors have stakes. GLP over the last year has bought five properties, of which 20 Bedfordbury is deemed the jewel in the crown.

deemed the jewel in the crown.
Webster manages these properties. And he has a good deal at stake with 20 Bedfordbury. It cost £16.5m and the sooner he can lease it, the sooner the investors can start obtaining a

return on their money.

His first job, then, was to find somebody to find the tenants. At this stage enter the chartered surveyors; de Morgan had been acting for Argent, Chesterton had introduced Reinhold to Bedfordbury in the first place. Both were asked to make presentations on how they would go about leasing the building. Satisfied, Webster looked no further and asked the two practices to work together.



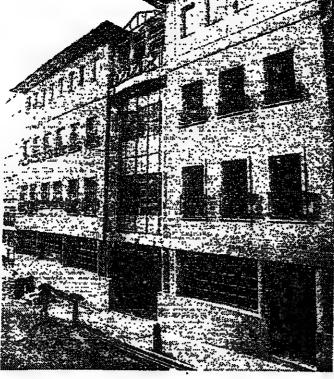
For Chesterton and de Morgan, it was business worth having. Between them they receive the standard fee of 15 per cent of the first year's rent. As the building has a net area of 34,000 square feet and is going on to the leasing market at more than £50 a square foot, the two surveyors could split fees of over £180,000.

Each is putting two people on the job - Simon Garfield and Mark Pile for Chesterton, and Christopher Boardman and Mark Evans for de Morgan. A young team. When Webster sat down with the newly recruited team on January 4, all were under 35. He wanted them to be "fairly youthful", as he put it. "You need some zip for marketing."

What they are marketing is unusual in two respects. The Swedish investors want a variety of tenants. Any offer from one company to take the whole of 20 Bedfordbury would have to go to the GLP board. So GLP is preparing actively to manage the building. It will not be sitting back as the rent collectors of the content of the second of the

tor for one tenant.

On top of that, GLP is not following the standard route favoured by property-owning British institutions of seeking tenancies of 25 years with upwards-only rent reviews every five years. Chesterton and de Morgan will be offering 12-year leases with reviews every three years, but would be prapared to consider a lease of eight years with a review half way, a lease of six years with a review after three, or even a straight three year



On January 4 there was some anxiety about how to present this when advertising the building. "Flexible terms" was one way. "Am I being a bit cynical in saying people will think flexible terms means that the market is going down?" asked Garfield. The chosen formula is flexible leas-

ing.

If this distinguishes 20 Bedfordbury from some of its competitors, then the style of marketing seems strictly orthodox the brochure, the newspaper advertisements, the mailing, the telephoning, and the reception held for other surveyors.

The reception marks the traditional launch of a marketing campaign for a building, designed to introduce it to other firms of surveyors so

alert their clients seeking space.

Oracle Advertising started work on the brochure before Christmas with the idea of having it available by January 19. Peter Godfrey of Oracle came in on the 4th with his drafts and designs. And on that occasion and in a subsequent meeting a week later, much of the talk was about the minutiae of the marketing tools.

that, if they choose, they can

Calculators came out to translate square feet to square metres for the listing of the floor sizes in the brochure and advertisements. "Should the figures be rounded up or down or neither?" "The middle fold of the brochure - is it saying any-

thing?"
"Can you make the title
Floor Areas bold?" By January
10, Godfrey was still on track
to meet his deadline of the 19th
— an exercise costing around
£15,000. He had been under
pressure from the start, "I dangled him a carrot about
another job," smiled Webster.
But by this time thoughts
were running away from typographical niceties to the

graphical niceties to the agents' boards outside the building, the reception, printing the invitations, debating the merits of a harpist – "I think we do it properly and go for the champagne."

The estimate for the food and drink at the reception, due to be held on January 25, from Corrects were \$3.918.

to be held on January 25, from Gorgeous Gourmets was £3,918 but after that the work really starts. Chesterton and de Morgan have been trying to draw up lists of companies which need between 4500 and 5000 square feet of space, which might need to be in Covent Garden or might be induced to find it necessary to be there.

It is a district favoured by professional companies and one has started to nibble. St Quentin, another firm of surveyors, has on its books some commodity brokers looking for space. Could this be, Chesterton and de Morgan are asking, the first tenant?

Further articles will follow the next stages of negotiation.

Du Pont in Europe

Marketing higher value niches

Peter Marsh explains that the chemical group's restructuring is customer-led

avid Williamson has a fresh, almost self-deprecating way of discussing how the managers he is in charge of should approach their jobs. He says that people in their position should not always take too much notice of the boss.

"Instead of looking at the

"Instead of looking at the guy at the top of the pyramid as the god that you've got to please, you've got to look at the customer and be mindful of what he wants."

An easy-going Scot, Williamson recently took over as head of the international division of Du Pont, the US chemical and energy giant. That puts him in charge of \$4.3bn a year worth of chemicals sales in Europe, the Middle East and Africa – most of which comes from Western Europe.

Williamson, 53, who is a chemical engineer by training and joined Du Pont 26 years ago, is the first non-American to be in charge of Du Pont in Europe, where it has operated from a local rather than 2 US base since 1956.

Geneva-based, Williamson

Geneva-based, Williamson projects an outward-looking, market-oriented image which is in contrast to the stereotype of the Du Pont manager of the past — obsessed with company bureaucracy and with doing things "the Du Pont way". His selection fits in with the general changes taking place at Du Pont, the world's fifth higgest chemicals company with annual sales of \$33bn, which appears to be trying to shake off several years of laggardly growth in an effort to get to grips with the challenge of the 1990s market.

To some degree Williamson's priorities and thoughts fit in with those of many other top executives in the chemicals industry as a whole. The business went through a severe depression in the early 1980s but has climbed out unexpectedly well in the past five years. The industry as a whole has done this by pruning back on older, commodity-type materials — which, helped by the

but has climbed out unexpectedly well in the past five years.

The industry as a whole has done this by pruning back on older, commodity-type materials — which, helped by the capacity cutbacks and good demand, have seen hefty price rises in recent years — and also by emphasising relatively new, research-based products where attention to marketing is much more important.

Du Pont, both in Europe and elsewhere, has followed this trend more than most. It has cut down greatly in hig selling commodity materials in fields such as bulk plastics while putting more emphasis on highervalue products in electronic materials, paints, engineering plastics and imaging and medical equipment.

These last areas, according to much of the received wisdom in the chemicals industry, are linked to higher growth miches of the world economy and are also less likely to be affected by any economic downturn of the kind that many in the sector reckon will hit home in the next five years.

hit home in the next five years.
Williamson, who has worked his way up largely through Du Pont's European operations in a variety of marketing jobs but also for the company in the US, says the strategy of targeting the higher value end of the industry has been working for Du Pont particularly well in Europe

Europe.

"Our growth rate in Europe has been running at 10 per cent a year, much higher than for Du Pont as a whole. There is no reason why we should not double our size (in Europe) over the next six or seven years to sales of about \$9hn a year."

A key to the Du Pont approach in Europe, says Williamson, is an organisational structure which stresses the different customer segments to which products are sold rather than regional or product divisions.

For legal and taxation reasons, Du Pont has individual companies in different parts of Europe but to a large degree the company operates on a pan-European level. "We have been running along with the 1992 concept for some time," he says, "and so have many of our customers."

Taking different product groups, in areas such as polymers, fibres, agrochemicals and medical equipment, Du Pont has rearranged the management structure to link up individual businesses which have aspects in common in terms either of marketing or research operations. This has led to the creation of broad business groups which cover a variety of product areas. Thus



yld Williamson: custom Lith incredibly importan

there is a general automotive marketing group which involves representatives from product divisions concerned with fibres (used in products like car seats) and also with engineering plastics which can be used in body and engine

Something similar happens with an electronics marketing group which acts as a focus for a number of product areas, including chemicals for semiconductor fabrication and optical materials, on the needs of a specific group of customers. "We (at the centre of Du Pont) can't act simply as a holding company," says Williamson. "We have to get nearer to our customers and look at things from their point of view; their health is incredibly important

Williamson says that as Du Pont has built up its European activities — starting from its first European head office, set up in Britain 33 years ago — it has followed the route of many multinationals by increasingly putting local people higher up the hierarchy. "In the early 1930s most of the semior staff at departmental level in our European organisation were European rather than American. You can view my appointment as part of this general evolution."

There is another factor at work, Williamson believes. This is to do with higher respect by American managers of European competence in management and business generally than was the case in the early 1980s. "Looking at the world from Du Pont's head-quarters [in Wilmington, Delaware] I think I can detect an increased admiration and confidence in European capabilities compared with a few years

There had been a considerable fear from the perspective of the American manager that European industry was really lagging behind. You don't find that any more. Americans now look at Europe and see centres for excellence in many areas. That is not necessarily just in the product areas that we sell in ourselves but in the fields related to Du Pont's customers—telecommunications, the surromotive industry, engineering, printing for instance."

telecommunications, the surtomotive industry, engineering, printing for instance."

Besides moving closer to its customers, Williamson thinks that Du Pont — and much of the rest of the chemicals industry — will need to do much more to move closer to the public as a whole if it is to thrive over the next few years. He stresses the need for better communications generally, especially in the field of environmental issues in which the

especially in the hein of environmental issues in which the chemicals sector has a generally extremely poor record.

"The chemical industry has a bad reputation with regard to the environment," Williamson admits. "Society has reacted, or perhaps over-reacted, negatively. In some ways we deserve it. Think of the inci-

or pernaps over-reacted, negatively. In some ways we
deserve it. Think of the incidents connected with the
chemicals industry — Love
Canal. Bhopal and so on —
they are horrible words and we
hate to use them."

Overall, however, he says
the industry is badly understood. "For much of our reputation we have to blame ourselves as an industry. We
haven't done enough to say
how well we are doing economically and to talk about some
of the good things we do. Take

ically and to talk about some of the good things we do. Take crop protection chemicals, for instance, or packaging. It's better to est protected crops—even if it means spraying on chemicals—rather than rotting crops. It's better to ship products wrapped in plastic than to leave them unpackaged. We have to do better in communicating these things to people. Public concern about chemicals is often based on ignorance."

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There is room for more than one architectural style today: pristine towers at the FT's printing works in Docklands or reviving the shades of Whitehall's history at the new Department of Health

Buildings speak louder than words

The RIBA awards went for the soft option this year. Colin Amery reports

thought for a moment I was back in the 1960s when I heard that this year the President of the Royal Institute of British Architects had given his spe-cial award to the Nelson Mancial award to the Reison Man-dela Community Primary School designed by the Bir-mingham City Architects Department. Had there suddenly been a revival of public sector building? Had the old GLC architects department moved to the Mid-

It is a new policy of the Royal Institute to single out one building from the 18 national RIBA award winners as "the building of the year." Presumably it is this building that will receive the most pub-licity and will highlight for the public the way that architects are thinking.
I am afraid that the Presi-

and areast that the Fresh-dent took the soft option. In a year when there were some serious and challenging good new buildings the RIBA: thought it was safer to com-mend a building that only does what it should. I was fascinated to read that what jury thought was remarkable about inought was remarkable about the new school is "its total dedication to the reads." ication to the needs of its users; the children of the neighbourhood, their parents and teachers. Surely that is the very least it should

The Nelson Mandels School

looks as though it works well as a series of flexible spaces divided up by sliding screens and doors. It has a laminated timber roof structure and plenty of visible timber inside. It is clearly user-friendly and architecturally completely unremarkable. In the work when something called The Campaign for Architects is moving into a higher gear to persuade the public that architects are as loveable as teddy bears, the President's choice

just seems sentimental and

The Campaign for Architecture has been running full page advertisements in a daily newspaper and presumably sees itself as an antidote to the debate about architecture which architects mistakenly see as a campaign against architects. I cannot for the life of me see what good a photograph of a tower block being blown up over the slogan Faulty towers can do to the profession. And what about this curiously ambiguous pair of statements? "As architects we have a professional respon-sibility to act in the best inter-ests of our clients. Our recommendations must

Both the President's choice of an unexceptional little school and the confusing nature of the new advertising campaign do little for architecthe best form of public rela-tions. Of the 16 regionally selected winners of this year's RIBA awards there are some excellent and elegant examples of the best of British architecture. It is worth listing

Billingsgate Fish Market in the City of London into the headquarters of the American Bank, Citicorp by architect Richard Rogers is indeed styl-

The architect has clev-erly inserted mezzanine floors in a way that visually enhances the old market hall As an example of the potential for reuse of older buildings in the City, Richard Rogers's work is outstanding. The worrying element is that this beautiful comparison has many beautiful conversion has never been occupied by Citicorp. No one seems very willing to explain Many awards have been

given to the Courts of Justice in Truro designed by Eldred Evans and David Shalev. This was the winner of the Finan-cial Times own Architecture Award last year, and it is interesting to observe that the judges for the RIBA also concentrate on the careful siting of the courts at the top of the town in such a way that they make a handsome contribution

Last week it was also announced that Evans and Shalev have been selected as the architects for a new art gallery in St. Ives, Cornwall to house the Tate Gallery's collection of the paintings of the St. Ives school. The architects clearly demonstrated their abil-

ity to design a gallery that will take the maximum advantage of the views that inspired the painters, and yet fit in to a tightly knit pattern of steep slopes and streets. It was agreeable for this newspaper's own new printing works in London's Docklands

designed by Nicholas Grimshaw to be given an RIBA award, the judges were full of praise for this striking building, which has become a land-mark. "If ever evidence was needed that a single inspired architectural idea can produce many added dimensions to what could have been a purely functional solution, the Finan-cial Times printing works must surely provide that evidence," said the judges' report.

The inclusion of the new

Richmond House in Whitehall, designed for the Department of Health and Social Security by William Whitfield and the PSA, demonstrates inst how estholic architectural tastes are. This brick and stone, towered and mullioned block by the Ceno-taph is one of the most unusual new buildings in London. It seems to express in its design both the Victorian con-fidence of Norman Shaw's neighbouring Scotland Yard and by association evokes the presence of the old Tudor pal-

Michael Hopkins is clearly one of the best architects around and his much praised David Mellor Factory in the Derbyshire Peak National Park is rightly held up as a remarkably sensitive model for a small industrial building in the countryside. It is special, too, because although it is an entirely contemporary structure it is not ashamed to use natural and local materi-

Hopkins is also commended for his Solid State Logic research and development building near Oxford, a simple and pristine design.

James Stirling's adaptation of part of the Albert Dock into the Tate Gallery Liverpool is rightly praised for the care which the architect took to adapt the splendid dock warehouses into a gallery. This year's award winners

would add up to a very enjoy able and positive tour of new architecture in Britain. Things are encouragingly catholic and varied and reflect a pluralism from which many blooms may flower. Buildings speak louder than words and this year the President and the campaigners have seriously undersold the

Bent

LYTTELTON THEATRE

Martin Sherman's Rent uncoiled and sprang on the world a decade ago. It combined the horrors of the Third Reich with a portrayal of homosexual life - not merely life but love; and showed that love triumphant

The impact was enormous. as it was in the play's subsequent productions around the world. Last Friday's audience at the National was full of those who remembered the original for extra-theatrical reasons (they discovered they were not alone, they found dignity, they came out). The question remained: would the play live up to its symbolic

It opens unpromisingly. These gay (in both old and new senses) young denizens of pre-war Berlin's demi-monde coming to after a binge conjure up nothing so much as a hun-gover morning after in Earl's Court. A partisan audience enjoys the campery, which makes the violent entrance of the black-uniformed SS seem uncomfortably like a continuation of the fantasy, not too far from the erotic iconography that some find stimulating. The spectacle of a young man having his throat cut on stage is tawdry grand guignol. And the immediate switch to a male transvestite huskily hymning the streets of Berlin plunges us into familiar cliché.

tion fails to blend recognisably jokey camp with unimaginable nightmare. By the interval, after the captured Max has obligingly beaten his tortured male lover to order and proved his normality by embracing the warm corpse of a 13-year-old girl before the guards (monosyllabic monstrous robots), the mixture has, dramatically speaking, curdled rather than jelled.

In Dachau the production, and Michael Vale's semi-abstract set lit by Ben Ormerod, come into their own. A bloodred dado swirls above a land-scape of Beckett-like blankness. When touched the electric fence crackles and sparks frighteningly. The pile of rocks to be constantly carried from one side of the stage to the other resonates with echoes of

lxion and purgatory. Here the play too comes into its own as a study of the salvation of a soul. After doing a deal with the guards Max wears a yellow star instead of the despised pink triangle ("It's better to be a Jew than a queer in this place"). He is obsessed with survival, and even after wangling companionship with the homosexual Horst, he refuses to acknowledge the truth to the authorities.

The famous scene when the two men, standing to attention a yard apart and facing the audience, talk through, sotto voce, the act of love under the

eves of the guards, is more har rowing, erotic and moving than I remember from the first production - perhaps, para-doxically, because it is more lightened with humour. Ian McKellen, the first Max, then played opposite Tom Bell, a forceful actor with a strong personality, while now his col-league is Michael Cashman, less intrusive in style. The second - in retrospect overshadowed - scene of remote-control love, as it were, in which they imagine only holding, touching and protecting one another, is infinitely more powerful than I rememher it.

McKellen is a generous actor in the Richardson rather than the Olivier mould. No mere on emotional integrity and per-sonal commitment. Cashman is more passive, initially colour-less, but this makes his hopeless, stooped assumption of a centuries-old burden, and the small act of rebellion that ends in death, all the more moving. A good supporting cast includes the inimitable Robert Eddison, the elegant elderly invert, Uncle Freddie, who, surreptitiously meeting his fugitive nephew on the run. intones such lines as "Do something innocent - feed the pigeons!" like Hermione Gingold crooning to the cello.

Martin Hoyle



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The third Howard Barker play to arrive in London in as many weeks is a short (for Barker, very short) piece which clarifies both the strengths and the weakenesses of this tantalising writer. Subtitled Sermons on Pain and Privilege, Golgo is structured around a brilliant elision of the last hours of the French nobility and the final agonies of

Cooped up in a room with the mob baying outside, the assembled aristo-crats while away their time re-enacting the crucifixion. The one commoner of the play, a surly maidservant (Jane Ber-

tish), moves from compulsive attempts to scrub all traces of her masters from the room to showering them with buckthe from to showing them with buck-ets-full of pages torn from library books, as the edifices of their privilege come tumbling down.

The point is not that the French Rev-

olution is analogous with the death of Christ: on the contrary, it is viewed by Barker's characters as the apocalyptic sequal to it - the end of a dead culture still immersed in the formal structures of Christianity. None of the aristocrats can remember going to church, they have long lost touch with the capacity

to believe or to love, but they cleave to its structures and its imagery as a form of self-aggrandisement, capable of protecting them against the future.

It is a very neat, very seductive sce-nerio, which is realised with a vivid understatement in Nicholas Le Pre-vost's productions for the Leicester Haymarket and the Barkerite Wrestline School. However, once one has grasped the central concept — which always, with Barker's plays, creates a glow of intellectual satisfaction — it is hard to see any real progression. The interchanges that follow are variations on a

single theme, which are given the illu-sion of significance by Barker's characteristic sententiousness (in the pub lished play text, important lines are picked out in bold type). One is left, as so often with the work

of this playwright, basking in the lan-guage, the imagery and the enactment of it by a first class cast led with rangey intensity by Roger Frost's Whatto self-appointed Christ, lunatic and executioner, but denied the satisfaction of a fully finished product.

Claire Armitstead

Ian McKellen and Michael Cashman

In Pursuit of the English LYRIC STUDIO, HAMMERSMITH

It is post-war London where, like Muriel Spark's girls of slender means, "all the nice people were poor," where a vis-iting American like S.J. Perel-

man could note the freshness, hope and gaiety of the natives in their ruined city and com-pare them favourably with sul-len, post-Occupation Paris in its plump cynicism. Doris Less-ing. another recent arrival, found xenophobia, brutality, stupidity and tribal codes of honour - according to the novel that now takes the stage

in an adaptation by yet another newcomer, the Cana-dian Katie Campbell.

The inaugural production by a new company, Cut and Thrust, promises well. Melanie Jessop's Doris, quizzical, bewildered, amused, arrives in a swirl of fog amidst a frieze of jitterbugging couples, an image not too far removed from one of the outer circles of Dante's

The bustling opening suggests individuals each locked in Dickensian self-sufficiency; and there is a Dickensian ring to The Case that obsesses Doris' landlords.

These are Dan, a tough exserviceman, and flo, garishly gregarious - and uxorious in the sensual hen that Sheila Reid presents, miraculously dishing up rations with the flair of her Italian grandmother. The Case is directed at their sitting tenants, an old couple whom we never meet. subjected to Rachmanite

The family is completed by

Flo's adolescent son (Ben Porter, desperately flexing non-existent muscles and hungrily eyeing the nearest girl). Present and incorrect are the pathological liar, con-man and sadist Bobby ("it occurred to me he was what they called a spiv." says Doris in the first-person narrative that is mixed in with the dialogue); the tart Miss Privet (Celia Imrie in a fox-fur stole) who sometimes passes for French as Preevay ("Oo la la, je t'aime, mon amour - easy isn't it?"); and shop assistant

The last is the most complex character in the play, and Pippa Guard beautifully expresses her prickliness, grudgingly kind heart, rough philosophy, painfully articulate intelligence and code of

honour. The play's strength is lts observation of this society's taboos and rules - you never interfere in families, for instance, despite brutality and unfairness. The characters blossom from Dickensian types, in fact, into rounded beings. Even the savage Dan is allowed a certain justification, or at least explanation, in his bitter feeling of being passed over as an ex-fighting

The recent war is omnipres-The recent war is omnipresent in the hopes for the "War Damage," expected to mend the damaged house (the man from the War Damage Office turns out to be an embryo Alf Garnett); in the bombed walls of Henred Burden's set and in of Howard Burden's set; and in the nostalgia that even young Rose feels for the late conflict: "Then people liked each other. They don't now, do they? And that's the truth." And present in the sourness of being somehow cheated.

As Rose says, "newspapers are always saying how every-thing's changing. My mum worked all her life and Γm no better off than she was." And to Rose goes the last word. As the old couple are evicted. carted off to God knows where. Flo can afford to wax senti-mental. "We should all be kind to one another" and the world would be a better place. "A likely story," says the girl sus-

highly promising company

Next in the season framing the war: Patrick Hamilton's Hangover Square adapted by Fidelis Morgan. There will be the usual complaints that British theatre is too word-bound. too literary; but it does do it

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ARTS GUIDE

Chilingirian Quartet opens Bohemian Festival, Haydn, Dvo-rak, Martinu (Tues). Wigmore Hall (55: 2141).

Cecília Gasdia recital (Mon) Salla Gaveau (45632030). Gidon Kremer (violin) Valery Afanassiev (piano): Schubert (Tue) Salle Favart (48045418). Ensemble Orchestral de Paris conducted by Emmanuel Krivine, Jean-Jacques Kantorow (vi Lutoslawski, Mendelssohn Haydn (Tue). Salle Pleyel Kantorow (violin):

(45638873). Orchestre de Paris conducted by Semyon Bychkov, with Yo Yo Ma (cello). Tchaikovsky, Shostakovich (Wed, Thur). Salls Playel (45638873). Orchestre Philharmonique de Orchestre Phinarmonique de Radio France conducted by M Schoenwandt/M Dalberto, Delius, Grieg and Nielsen (Thur). Théatre des Champs Elysées (4720637).

Brussels

Hogues Navez (guitar) plays Vil-la-Lobos, Bach, Giuliani, Sors, Tedesco (Thur). Royal Music Tedesco (Trair). Royal Music Conservatory. Hagen String Quartet plays Brahms, Mozart, Webern (Tues). Palais des Beaux-Arts. Belgian National Orchestra conducted by Jean Baily with Augustin Leon Ara (violin) performs Chausson, Milhand and Rossini. Royal Music Conserva-tory (Wed). tory (Wed).

Frankfurt

Frankfurt's Radio Orchestra under Pinchas Zukerman, who also plays violin with works by Beethoven (Thurs). Alte Oper.

Daniel Barenholm piano recital with works by Beethoven and Mozert (Thurs), Philharmonis.

Berlin Philharmonic Orchestra, conducted by Seiji Ozawa. Brahms and Prokofiev (Tues,

Amsterdam

Netherlands Philharmonic and Isabelle van Keulen (violin) con-ducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Mon, Wed) Concertgebouw (718 Guarneri Quartet, Haydn, Lutos-lavski, Schumann (Thur). Con-certgebouw (718 345).

Utrecht Netherlands Philharmonic and Isabelle van Keulen (violin) con-

ducted by Michael Halasz. Bartok, Mozart and Mendelssohn (Tue, Thur). Vredenburg (31 45 Schonberg Ensemble, Hague Schonnery historics, rague Percussion Group and vocal solo-ists, Reinbert de Leeuw conduct-ing, Andriessen, Reich (Wed). Vredenburg (31 45 44).

Madrid Uto Ughi (violin), Elena Marteucci (piano). Tartini, Bach, Schumann (Tues). Auditorio Nacional de Musica (337 01 00). Jorg Denns (piano). Bach, Moz-art, Besthoven, Schumann and Schubert (Thur). Auditorio Nacional de Musica (337 01 00). Trio de Madrid. Haydn, Dvorak, Brahms (Thur). Auditorio Nacional de Musica (337 01 00).

Austrian State Television and Radio Orchestra, conducted by Erwin Ortner, Brahms, Bruckner, Cerha, Ligeti, Schoenberg (Mon). Musikverein. Wismur Schubert Trio. Mozart, Schumann, Musikverein (Tues). Hans Kann (piano), Mozart. (Wed) Konzerthaus. Haydn Trio. Schubert, Kreisler, Johann Strauss (Thur). Konzer-

Maurizio Pollini (piano). Chopin, Berg, Schoenberg and Stravinsky (Mon). Teatro Alla Scala (80.91.26).

Maurizio Pollini (piano). Schu-mann and Chopin (Thur). Teatro la Fenice (5210161).

Ulf Schiemer conducting Strauss and Brahms, with Mirlam Fried (violin) (until Tues). Auditorium in Via Della Conciliazione (6541044). Samuel Ramey (bass) accompan-

ted by John Fischer (Wed). Tea-tro Olimpico (393304).

Royal Exchange

The Royal Exchange Theatre, Manchester, opens its season on February 8 with A Winter's Tale, which marks the debut of

the company's artistic director

Phyllida Lioyd.

The Crucible by Arthur Miller, will open in the main

house on March 22, followed by Sheridan's *The School For* Scandal on May 10. She's In

Your Hands!, a new adaptation and translation of Feydeau's

new season

National Symphony Orchstra. Natislav Rostropovich conduct-ing. Shostakovich, Albert (Tue); Mstislav Rostropovich conduct-ing, Hakan Hardenberger (trum-pet). Barber, Tamberg, Sallinen (Thur). Kennedy Center Concert Hall (487 4600).

Chicago Symphony Orchestra, Sir Georg Solti conducting. Cor-igliano, Beethoven (Tue): Sir Georg Solti conducting. Bach programme (Thur). Orchestra Hall (425 6666). Tokyo

Berlin Philharmonische Solisten. Bach, Beethoven, Mozart. Suntory Hall (Mon) (289 9999). Classical Japanese Music. Koto, Shamisen. National Theatre, small hall (Tues) (265 7411). Yomiuri Nippon Symphony Orchestra, conducted by Ken Takaseki. Berlioz, Lalo, Dvorak. Suntory Hall (Wed) (270 6191). Shinsel Nihon Symphony Orchestra, conducted by Shigeo Genda, with Shinobu Satoh (soprano). Ravel, J. Strauss. Suntory Hall (Thur) (985 4836).

Occupe-toi d'Amelie, will open on June 28. While The Count of Monte Cristo will open at the Palace Theatre, Manchester.

January 19-25

New York Philharmonia Orchestra conducted by Giuseppe Sinopoli with June Anderson (soprano). Ber-lioz, Mahler (Wed). Ulinois Chamber Orchestra. Beethoven, Schuller, Stravinsky (Thur). Carnegie Hall (247 7800), New York Philharmonic. Erich Leinsdorf conducting, Liszt, Stra-vinsky, Poulenc, Offenbach (Thur). Avery Fisher Hall (874

Washington

piciously.

Matthew Francis directs a

rather well.

Martin Hoyle

FINANCIAL TIMES

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Monday January 22 1990

Bleak battle against drugs

announced his war against the illegal drugs trade and narcotics abuse last year even his most enthusiastic supporters recognised it would be a long haul. The enormity of the task is now apparent. There is little to encourage the view that even in the long term the exist-ing strategies will prove effec-

The most encouraging development has been the tightening of legislation in the main consuming countries directly attacking the traffickers' profits. As a result it is becoming increasingly difficult to insulate their huge assets against seizure by the courts or rely upon bank secrecy and off-shore financial centres to pro-

shore financial centres to protect "narco-dollars."

More generally, international awareness of the scope of the problems caused by the drugs trade has finally begun to sink home, over and beyond what is happening in the US itself. The plight of the Colombian state, under virtual siege from the drug barons, has underlined the extent to which a country the extent to which a country can be held to ransom by a mafia. Almost 80 nations have now signed the 1988 United Nations Convention on Narcotics, the most comprehensive international framework to date for multilateral co-opera-tion. Although too many of the countries in the front line of the fight against drugs are torn between bilateral and multilateral initiatives, the level of cooperation has improved. This has been reflected in the sharp increase in the quantities of drugs seized.

One jump ahead

Yet while drug seizures last year reached unprecedented proportions, the supply of nar-cotics was little affected and street prices were unchanged in the main markets. As the latest annual report of the UN's Narcotics Control Board states so bleakly, drug production, particularly cocaine and opium, was greater than ever. The traffickers remain one jump ahead in their ability to diversify sources of production and alter supply routes. Crop eradication programmes con-tinue to be hampered by the political sensitivities to exter-

> is to be lowered once more. Last but not least, the spiral started at far too high a level. Before their increase of the past three years, average earnings in the UK were already rising at around 7-8 per cent a year, roughly double the rate in other major developed countries.

Unit costs rise

When the economy was cent a year in 1987 to 5 per cent or more in late 1989.

In short, the British economy started in the wrong place and has moved still further in the wrong direction over the past three years. To remedy both these problems the annual growth of earnings will have to be lowered, probably by some 4-5 percentage points. There is no chance that this can be done without a marked

earnings growth from the point of view of underlying costs.

the UK at least there is not.

WHEN PRESIDENT Bush nal interference, the inability to provide adequate alternative incomes for peasant farmers and, most recently, by fears of ecological damage. At the consumer end, meanwhile, the amount of casual drug taking appears to be declining in the US; yet there is no correspond-ing drop in general drug abuse or drug-related violence.

Costly confrontation

Although the greatest quantities of illicit drugs come from South-East Asia's Golden Triangle and from Pakistan/Afghanistan, the political bench-mark for success focuses on the curbing of the Andean cocaine trade, specifically in Colombia, the main laboratory. There the Barco government, with less than six months left office, is at the limits of its ability to continue a costly confrontation with the cocaine cartels. Influential voices in the church and among the Colombian political parties are calling for a dialogue with the cartels. Such a move would completely undermine the credibility of President Bush's anti-drug campaign. However, it is hard to see how the intensity of the anti-drug campaign in the Andean producers can be sustained against the kind of lengthy timetable necessary for reducing demand in the US

and elsewhere. The logic of the international community's attack on the two ends of demand and supply is to follow it through, until it either succeeds or is manifestly proven to be inadequate. Until now, its protagonists could still claim that the approach has not been fairly tested, because of the modest resources devoted to co-operation, inter-diction, crop substitution and anti-drug education.

Little time is left, perhaps not much more than a year, to demonstrate the validity of existing policies. As it is, the curbing of drugs — one of the major political and social issues for the new decade — promises to be an impossible challenge. If so, this will open wide the fraught debate on the wide the fraught debate on the alternative of decriminalisa-tion, which at the moment so alarms governments, politi-cians and international institutions like the UN.

The fear of recession

WILL THE UK have a recession? There is much anxious attention to this question, but it is not really the point, or at least it is only a part of it. The more fundamental issue is whether there needs to be a recession. The answer is, unhappily, quite simple. If the Government wishes to get the long-term rate of inflation in the economy back down to around 4 per cent, let alone to rates consistent with membership of the European Monetary System at a stable exchange rate, something close to a recession is inevitable.

This is true, even though pay performance has, in some respects, been surprisingly good. Over a little more than three years the underlying rate of growth of earnings has risen by some 1½ percentage points. Yet over the same period the seasonally adjusted rate of unemployment has almost halved, falling from a peak of 11.2 per cent to 5.8 per cent in December 1989. The reforms of the trade unions, coupled with the lingering effect of the 1979-81 recession, appear to have had enduring and valuable effects on wage behaviour. Some important qualifica-tions need to be made to this optimistic perspective. In the first place, a part of the rise in average earnings between 1986 and the end of 1988 was explained by the growth of overtime. In 1989, however, overtime tended to decline. thus eliminating what was a relatively benign source of

Upward drift

In the second place, the level of settlements is continuing to rise. According to Incomes Data Services, pay settlements are bunching at between 71/2 and 10 per cent in January 1990, 1 to 3 percentage points higher than a year ago. With the rejection by Ford workers of an offer of 10.2 per cent for the first year of their deal, fol-lowed by 8 per cent in the sec-ond, settlements are likely to continue their upward drift for

some time to come. From this point of view, the fact that unemployment fell by a seasonally adjusted 17,000 in the month to 14 December 1989 is little help. The rate of decline in unemployment is diminishing, but it is still in the wrong direction if inflation

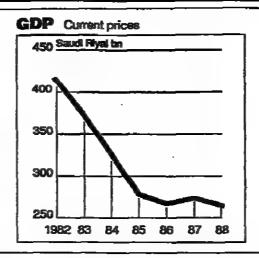
expanding strongly, the effects of the relatively rapid rise in earnings on international competitiveness were offset by the good productivity performance in manufacturing. This is no longer the case. The rise in the unit costs of manufacturing has moved from around 1 per cost to the cost of the cost o

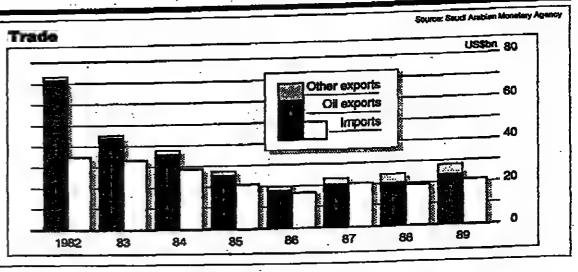
rise in unemployment.

The severity of that recession will be largely determined by the credibility of the Gov-ernment and the wisdom of the wage bargainers. Both look inadequate. It is beginning to look increasingly clear, for example, that the Chancellor made a grave error in not raising interest rates in response to the weakness of sterling when he took over. It seems equally clear that short-termism is alive and well in the labour market.

The choice is quite stark. The Government may - tac-itly, no doubt - abandon the effort to get inflation decisively down in fear of the political consequences of a second round of rising unemployment. In this case, the UK of the 1990s will have a higher rate of underlying inflation and a weaker currency than virtually all its peers. Alternatively, determined efforts will be made to lower underlying inflation, in which case a considerable rise in unemployment in the short run is unavoidable. It would be pleas-ant to believe that there is some reform in wage bargaining or some pay policy that will avoid the dilemma, but for







Andrew Gowers examines the reawakening of Saudi Arabia

ing Fahd ibn Abdul Aziz took a decision last year of enor-mous potential significance for Saudi Arabia and of more than pass-ing importance for the world in the Preparing a return 1990s. With customary discretion, the monarch — or Custodian of the Two to oil power

Holy Mosques, as he prefers to be known these days - asked Saudi Aramco, the newly-renamed national oil company, to begin preparations for a huge investment programme with the aim of boosting Saudi crude output capacity to 10m barrels a day (b) d), a level not seen since the oil boom ended in the early 1980s. The project, which entails capital

spending of some \$15bn on demoth-balling existing facilities and drilling new wells in the next six or seven years, is the clearest possible signal of the Kingdom's state of mind at the start of the 1990s.

Gradually, but with increasing sureness of step, Saudi Arabia is putting the gloom of the last few years behind it. The end of fighting in the Gulf war has freed its rulers from an obsessive preoccupation with events on their doorstep. And the economy is moving steadily out of a seven-year recession into what appears to be a period of sustained, if unspectacular,

In short, the Kingdom, location of 25 per cent of the world's proven oil reserves, is preparing itself for the moment - which cannot be too far off now – when it regains its role as the unchallenged driving force in the international energy market.

Already last year its oil revenues were up by around 20 per cent, as it pumped more than 5m b/d at prices that have so far held surprisingly firm, despite rampant quota cheating by other Opec members.

And the Saudis are once again boosting their presence in the leading consuming markets. In the US, imported oil accounts for more than 50 per cent of total oil consumption, and half of this last year came from Saudi Arabia.

This does not imply a re-run of the 1970s, when the Saudis and other Arab Opec states used their muscle to drive prices through the roof; the Kingdom is too interested in preserv-ing a long-term market for oil that it could produce at current rates for 186 years, to allow that to recur. But what it does suggest is that Saudi Arabia, which sees itself as the only Opec member likely to have significant excess production capacity in the early 1990s, will be well-placed

both to maintain prices on an even keel and to generate sufficient revenues to keep it in the style to which it used to be accustomed.

The signs of renewed economic activity and increased confidence, partly fuelled by these considerations, are already unmistakeable:

• Gross domestic product last year notched up the second straight year of growth, expanding by 3.2 per cent the 1988 figure and a similar amount in 1989, according to Sheikh Hamad Sayari, governor of the Saudi Arabian Monetary Agency.

• Prices on the Kingdom's fledgling stock market have seen a sustained recovery since the beginning of 1988, and real estate prices and rents have revived after declining by as much as 30 ner cent since the boom.

■ The Government and the Saudi private sector are dusting off investment plans to capitalise on the upturn. Apart from Saudi Aramco's expansion plan, Saudi Basic Industries Corporation — the 70 per cent state-owned enterprise which has emerged as a significant exporter of basic petrochemical products in the pact few years — is expected to speed past few years - is expected to spend between \$5hm and \$7hm on increasing ts capacity and enhancing its product range in the next few years, and big spending is also planned in the oil refining industry.

What is more, private businessmen are showing greater interest than ever before in undertaking industrial investments - whether in import-substitution factories, downstream plastics plants or energy-intensive industries such as aluminium.

This does not amount to anything resembling the cornucopia of the 1970s and early 1980s; indeed, GDP is still around half the \$147.5bn it attained at the peak in 1981, and the authorities have been going out of their way to ensure that expectations do not again become inflated.

Many of the old nagging problems remain: there was much complaint

last year, for example, that the Govlast year, for example, that the Government was failing to pay its bills and, barring an unexpectedly sharp upswing in oil prices it will have problems financing a chronic budget deficit for the foreseable future.

But the indicators do imply that Saudi Arabia has emerged from the recession in much better shape than most people had thought. With the exception of the free-hooting United exception of the free-booting United Arab Emirates, it can now be said to be the most dynamic economy in the Gulf, an observation that would have met with derision as recently as 18 months ago.

Equally to the point, it is also a very different country from the one that experienced the boom years. As a study" of the Kingdom's private sec-tor recently published by Business International, points out, the recession was accompanied by subterra-nean but significant changes in Saudi business and society that are unlikely

When he finally arrived at

of deal that would shock a lot

been a queue to take it up from London to Edinburgh."

Trevor Deaves, the 36-year-old chief executive of the M

Group, said that sponsorship had played an important part in the development of the Group. There will also be a Playhouse Theatre Club for

M I's 2,500 employees, and special facilities for M I clients.
In the day-time, M I plans to put the theatre to extra uses. The first conference of NACO will be held there in Santember, NACO is the

September. NACO is the National Association of Com-

pliance Officers and is being

set up by an M I director, Clive

Set up by an an 1 unrector, carve
Warburton, who was previously a senior compliance officer at IMRO.

Archer's latest play, Exclusive, collapsed rather quickly
in the West end last year, and

some of his earlier ventures have not been entirely success

ful. Never let it be said, how-

ever, that he does not land on his feet.

■ We went on Saturday to

order some stuff for a new

bathroom. All the experts said that the best place was a show room in Acton, West London, What it occurred to no one to

say is that it is closed on Satur

days and indeed is open on

weekdays only from 8 am to

5 pm. This seems to me a pecu

liar way of doing business in

an entrepreneurial society. When else, other than Satur-

day, is one supposed to turn up for what is a fairly expen-

I then went to buy a copy

sive acquisition?

Saturdays

of people in the theatre world. If The Playhouse had turned

it down, "there would have

the ceremony yesterday, Archer said it was the kind

to evaporate as the economy improves. They include:

A radical improvement in the structure and performance of the private sector. The days of easy money are now a distant memory; recession weeded out the weaker companies weeded out the weaker companies and forced everybody to cut costs and focus on higher profits at a lower turnover. The fruits have been a much better calibre of management, more emphasis on planning and mar-keting and, in the best cases, a sophis-ticated corporate culture that will out-

"We have a much better equipped group of people for business and free enterprise than in the decade of the 1970s," Sheikh Suliman Olayan, the investment magnate who is one of the doyens of the Saudi business commu-

live the older generation of Saudi

costs, but the decline taught people that they have to review their fat," agreed Dr Abdulrahman al-Zamil, the Deputy Minister of Commerce. A more selective, more cost-con-scious, better-educated consumer

"At the peak, nobody worried about

The Government, is applying increasing pressure on companies to "Saudi-ise" their workforce'

base, which is making greater use of supermarkets and service or leisure industries. The Saudi population (not including an expairiate workforce of 2m or more) is now in the region of

am but is growing at an annual rate of up to 3.5 per cent.

With about 0.16 per cent of the population graduating from college every year, the Kingdom's educational revolution is well advanced. As whole, Saudis may be poorer than were, but the young generation also has an increasing appetite for consumer goods as young married couples set up their own households rather than living with their parents.

• And Saudi businessmen increasingly are looking to markets in the other Gulf states, as tariff and other barriers between members of the six-nation Gulf Co-operation Council

(GCC) come down.

● A transformation in the economics of local industry. This stems largely

from a sharp slide in the cost of imported labour from countries like Sri Lanka and the Philippines; foreign workers in the Kingdom, who still comprise the bulk of the labour force, are these days prepared to accept wages a third or a quarter of what their predecessors demanded.

As a result of this and other cost-

cutting, some companies are now competitive enough to export — not just to the GCC but beyond. The Zamil group of companies, based in Sandi Arabia's eastern province, has sold Arabia's eastern province, has sold plastic cost hangers to Japan and pre-engineered steel buildings to Malaysia in the recent past. Another enterprise, the National Factory for Can Ends, a joint venture involving Metal Box, has cornered the large Gulf market in aluminium can end for coff drink cent and is now expect. for soft drink cans and is now export-

• The Kingdom's total industrial exports are still very small by com-parison with oil, but the mere fact of Saudi companies marketing their wares abroad at a profit (however wares abroan at a profit (nowever marginal) would have been inconceived able a decade ago.

• An increasing propensity on the part of the private sector to contemplate taking risks. Saudi businessmen, like their counterparts in other

Arab countries, have always been traders first and foremost, preferring quick turnover to the long wait for a return on industrial investment. There are signs that this is beginning to change, that business people are beginning to do what the Saudi Government has long exhorted them to do: bring home some of their vast overseas assets and put them to work. Saudis are being encouraged to invest in local production by rising protective tariffs, in addition to other incantives, such as soft government loans, that have been on offer for loans, that have been not been as the loans of years. Some businessmen have set up new joint-stock companies with a view to investing in ventures such as downstream petrochemicals.

Another group of investors, led by the Alirezes, one of Jeddah's main merchant families, is planning to build a 214,000-tonne aluminium smelter in the Red Sea industrial city of Yanbu, in conjunction with foreign investors, including Pechiney of France and British Aerospace. At a cost of \$883m, this is by far the largest investment to be considered by the private sector.

A growing number of foreign com-panies are also looking at producing

in Saudi Arabia. Several western multinationals have already taken the plunge with a view to maximising their market share behind a tariff wall that can be as high as 20 percent. Other companies, especially British and French ones, are having to consider joint ventures in the Kingdom as a result of government-to-government offset investment agreements linked to military contracts.

There is a gradual dissemination of a professional work ethic among Saudis. This, too, would have seemed a highly unlikely prospect a few years ago, when Saudis could count on a civil service sinecure on graduation from college or a fast buck in the property market. No longer: Government recruitment has been virtually frozen for some time; opportunities

£.

frozen for some time, opportunities for speculation are minimal; and young Saudis are finding themselves having to knock on doors like anyone else in search of a career.

It is certainly still true by and large that Saudis will not do menial work that Saudis will not do menial work and that they account for only a tiny proportion of employees in the private sector. But they are now prepared to accept relatively low starting salaries in the interest of acquiring relevant technical skills — suggesting that a home grown cadre of managers eventually will take over from the still-omsent Westerners.

The Government, conscious of the need to create employment for the 550,000 graduates likely to hit the job market in the next five years, is applying increasing pressure on com-panies to "Saudi-ise" their workforce. All this is not to say that Saudi Arabia is in the process of creating something approximating to a modern industrial economy. Government spending still accounts for 50 per cent of GDP and it is thus on state revenues that the country's economic health — as well as the fortunes of foreign businessmen there - largely

Doing business there remains a tricky and time-consuming affair that revolves too much around who you know. Saudi commercial regulations are inadequate and liable to capricious interpretation by the Sharia (Islamic law) courts and the bureau-cracy. The extended royal family has its impers in far too much of the pie for the liking of many businessmen. But these gripes, while frequently bothersome, are not a serious impediment to a revival of economic activ.

ment to a revival of economic activity, and it would be foolish to underestimate Saudi Arabia's potential just because traditional Arabian ways of doing things still prevail.

If western companies and governments have been inclined to downmens have been inclined to down-grade the Kingdom on their list of priorities in the last few years, they may find themselves paying closer attention again very soon. And when they do, they would be well advised to jettison many old assumptions. *Saudi Arabia: Economic Recovery and the Private Scate in Michael and the Private Sector, by Michael Field.

Archer finds **OBSERVER**

a sponsor

■ Jeffrey Archer arrived half an hour late at his own thea-tre. Even then he had to go out again several times in order to be properly photo-graphed coming in. But you have to admit that the politician turned novelist, play-wright and impresario has a knack of putting deals together. Since 1988 Archer has had

the controlling interest in The Playhouse theatre, near Charing Cross Station. And it doesn't need him to tell you that it is one of the most beautiful theatres in London. It is. Originally known as the Royal Avenue Theatre, it staged the first West End pro-duction of a play by George Bernard Shaw: Arms and the Man in 1984. Mrs Patrick Campbell went on to star there and, although the subsequent history has been somewhat chequered, there have been memorable first performances: the plays of Somerset Maugham in the late 1920s and early 1930s when Gladys Coo-

per was the sole lessee and actress-manager. For 25 years after 1950 the place was run by the BBC, which used it as a studio for radio shows requiring a live audience, like The Goons and Hancock's Half Hour. Both The Beatles and The Rolling Stones made of their first

broadcasts from the theatre. Then in 1975 the BBC vacated it and the history became chequered again. The Playhouse changed hands several times until Archer took over. Yesterday he announced new steps. In future the theatre will be known as the M I Group Playhouse.

This is one of the biggest pieces of theatre sponsorships so far, and one of the most unusual M I is the financial services group which helped put on Aida and Carmen at Earls court. It is putting £500,000 into The Playhouse



"I swear to be aconomical with the truth, the whole truth and nothing but the truth."

of Le Figaro in one of the most cosmopolitan parts of London. The latest available was last Thursday's. Finally, I tried to buy some Finish, liquid dish-washer soap. Three successive shops were out of stock. This is London 1990.

And to think we could have been watching more of the rugby — on which a repeated plea. Is it really necessary to hold two internationals on the carred of th same day? One a week through the season, to be shown live and in full, is the perfect recipe for a winter Saturday after-

Two of a kind

■ There always seemed to be a similarity between Herbert Wehner, the West German poli-tician who died at the weekend, and Franz Josef Strauss, who pre-deceased him. Although from different ends of the political spectrum, they had a kind of political pragmatism that outsiders sometimes

found hard to appreciate. Webner was an ex-Commu-nist who did as much as any-one to turn the Social Demo-crats to a moderate path with the Bad Godesberg programme of the late 1950s. It was also he who helped guide them into coalition with the Christian Democrats, and then to be the key party in government. Yet some Christian Democrats saw him alawys as a Communist .

at heart.

Strauss, too, could be pragmatic. He was rather respected in Eastern Europe and was not at all opposed to Bonn hav-ing an eastern policy under Willy Brandt. He just thought that he could do it better. Strauss and Wehner would have been thoroughly at home in the present climate. They also both had a habit of speaking German at times in a way that was almost incomprehensible to foreigners: Strauss in a Bavarian dialect, Webner iust incomprehensible.

Taxing job

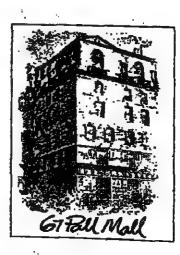
■ Brian Unwin, chairman of Customs & Excise Board, is Customs & Excise Board, 18 not only the captain of the department's cricketing side; he is also board secretary to the English National Opera. Last Friday evening he was seen taking his French counterpart, Jean-Dominique Comolii, to the ENO production of Covered's Faunt sung in of Gounod's Faust, sung in

This could have been a softening up exercise, for Customs & Excise may be about to place one its its more high powered members as director-general in Brussels responsible for indirect taxation. He or she would serve directly under the French taxation commissioner, Christiane Scrivener.

Taboo

■ Pinched from a column in Saturday's Times because it seemed worth repeating. "How many feminists does it take to change a light bulb?"

If you don't conform to any stereotype it's best to bank where the difference is appreciated.



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ing the biggest shake up in its history. The decision last week by the Swedish Government to allow foreign banks to open branches in Sweden underlines the growing financial liberalisation of the region. Bank mergers and smal-gamations in Denmark, Sweden and Norway are redrawing the contours of the region's banking structure. And there no signs that the changes are over yet; more can be expected over the coming months. The old, settled, regulated world of Nordic banking which has lasted for half a century is

over for good.

The chief catalyst for change has been the European Community's decision to create a free internal market by 1992 and its specific commitment to the free movement of capital. The liberalisation and deregulation of the Nordic financial markets began in the early 1980s but the speed with which the over-protected system is being dis-mantled has increased during the past two years. In that time, the govern-ments of the region have committed themselves to removing the remaining restrictive financial barriers between the Nordic region and the EC, "The Nordic banks are position-ing themselves for Europe," says Mr Sten Westerberg of SEB's Fond Com-

This positioning has compelled

The upsurge of bank mergers marks more vividly than ever before just how fast the Nordic region is converging with the rest of Europe

them to strengthen and streamline their organisations by reducing the number of players in what has tradi-tionally been an overcrowded market.

"As a result of regulation we have simply had far too many banks in the area," says Professor Lars Oxelheim of Gothenburg University. "In the past when there was a fixed interest rate banks were forced to compete with each other through the quality of the service they could provide. You had them proliferating and duplicating themselves in every small town and village." In Denmark today, for example, there are still 77 commercial. banks and 150 savings banks to ser-vice a population of just over 5m. The pressures for a more stream-

lined and rational banking structure have, therefore, grown irresistible. With economies of scale the emerging rigger banks can save on costs by not duplicating services and by using modern computer technology more efficiently. The results will inevitably mean fewer local bank branch offices with less staff in many areas and per-haps an overall improvement in the quality of service to corporate and individual clients.

However, there is a more funda-mental reason for the mergers and amalgamations. The growing domina-tion of the Nordic banking scene by

Robert Taylor reports on the current wave of mergers and acquisitions in the Nordic countries' banking sector

High interest from financial liberalisation



in DENMARK. In surprise merger took place betwe two traditional Bank and

Handelsbank, to form Den Dankse Bank with an equity capital of DKr19hn (£1.7hn) and total assets valued at DKr300hn. On 13 December the Juliand-based Provinsbanken joined them to create what is now the biggest bank in the Nordic region with total assets of nearly DKr400bn and equity and reserves of more than

Earlier last month three other Durish banks - Privathanken, 308 and Amishdonken - mootmood that they had merged to form UNI Bank Danmark (UBD) with combine assets of DKr300hn and equity of DKr19bn. The two new conglomerates combined will account for around 55 per cent of total Danish

banking.
SWEDEN has also undergone bank
mergers over recent weeks, with
more structural changes than it has
experienced in the past 20. It began
with the announcement on November
20 that the country's second largest

bank, Svenska Handelshanken, intended to purchase the Malmö-based regional Skanska banken for SKrzbn (£200m), to form a new bank with essets of some

SKr300bn. Earlier this month Sweden's state-controlled PK Banken made a secondal SKr5.6hn bid for the country's fifth biggest bank, Nordbanken. The result has been the creation of what is now the country's biggest banking group, Nordbanken, with total assets of

SK:309bs. Until now the powerful Scandinaviska Enskilda Banken the largest in the region before the recent upheaval — has not played a big role in events, though it did make a late, unrucessful counterfor Nordbanken. Some observers saful counter-bbl believe that SEB's internal troubles this autumn - revolving round the alleged tax irregularities of its chief executive Mr Jacob Palmstierna, who resigned and was later charged preoccupied the bank's leadership so that it missed out on opportunities

for expansion.

There are strong indications that
SEB may also become a beneficiary
of the Nordic banking merger trend.
It is believed to be having discussions with Gotabanken, Sweden's fourth largest commercial bank, which is

buslly digesting two Swedish regional banks, Wermlandsbanken and Skaraborgsbanken.

But with the removal of regulations over foreign banks coming in July, there is a possibility that SEB will establish close relations with banks inside the

European Community.

Last October NORWAY's Bergen Bank and Den norske Credithank (DnC) announced that they had merged to form a new alliance wit total assets of NKr210hn (£19hn). This looked more like a shot-pun marriage than one of convenience for the troubled DuC.

Since the end of the oil boom in 1986 the Norwegian banking system has gone through a crisis period with heavy loan losses and a record number of commercial and personal bankrupicies that hit bank profitability badly. In the case of DuC the troubles were especially

acute, with its equity ratio capital falling to dangerously low levels. Only FINLAND's banking scene has remained tranquil. But there is no reason why the Finnish banking system should be immune from the Nordic upheaval, since the primary of Nordic bank merger and acquisition activity are common to the region as a whole.

that has brought together Bergen Bank, SEB, Danske Bank and the Union Bank of Finland in a co-operative venture which enables the customers of one to enjoy preference with the others. In the autumn of 1988 the Finnish bank Kansallis-Osake-Pankki formed a holding company structure with the Gota group in Swe-

Joint ventures between Nordic banks and banks outside the region particularly those in EC countries can also be expected in the near future. Danish banks could lead the rest as they seek niches in markets elsewhere in continental Europe. This would mean the development of pan-European regional strategies for the banks rather than any over-ambitious attempt to compete head-on with the

existing EC financial giants.
Such a move would also enable the Nordic banks to service Nordic companies that are busy expanding their operations in the EC through direct investment, although many of the large industrial companies do not need to rely on the Nordic banking system for the growth of their activities. "Big companies need big banks," declares Professor Orelheim.

At the same time joint venture between different kinds of Nordic financial institutions can also be expected over the next few years. The chief executive officer of Denmark's

Joint ventures between Nordic banks and banks outside the region particularly those in EC countries — are expected in the near future

leading insurance company Baltica, Mr Peter Christofferson, has suggested the creation of a huge Dan-ish conglomerate that would bring together existing institutions from commercial banking, insurance and

mortgage credit, The carefully drawn legal distinc-tions between different kinds of financial activity that have regulated the Nordic banking scene are becoming rapidly obsolete and new laws will make much easier the emergence of large multi-financial bodies to service industry and the individual. This is already the case in Finland, for example, where the banks have started selling certain kinds of policies for the insurance companies, although they have not been allowed to take on any

insurance liabilities themselves.

It is often overlooked that all the major Nordic financial institutions have already established subsidiaries or representative offices across the world as financial integration and capital mobility are bringing them ever more firmly into the interna-tional financial system.

This winter's sudden upsurge of bank mergers and acquisitions in the Nordic region marks more vividly than ever before just how fast the region is converging with continental western Europe.

LOMBARD

Mr Newton's **Overdraft**

By Michael Prowse

proving a bit of a spendthrift. After running a healthy surplus for years, the National insurance fund has plunged into deficit. I would be the last to object if this reflected a more generous policy on bene-fits. Needless to say, it does not. The basic pension, which continues to decline against earnings, is a meagre £43.60 a week - rather less than the cost of a meal for two in a

typical City restaurant.
The deficit mainly reflects the unexpected popularity of personal pensions. When peo-ple contract out of the state earnings related pension scheme (SERPS), the fund loses contribution income. It also has to pay out an "incentive" payment worth 2 per cent of relevant earnings. But the fund's short-term liabilities — principally pensions and payment — remain unchanged.

Officials originally budgeted for about three countries.

for about three quarters of a million people to leave SERPS. The latest estimate is that about 4m will have left by the end of April. But if the insurance companies launch another successful sales drive, this may prove an underesti-mate: the market for personal pensions could be as large as 7m people — two thirds of the original SERPS membership.

This exodus is proving expensive. The cost of contribution rebates has risen from £792m in 1987-88 to £1,500m in 1989-90. Incentive payments have soared from £346m to 2615m. Overall the fund will have lost nearly 25bn in the three years to next April Costs are likely to escalate because more people will leave SERPS and because contribution rebates and incentive pay-ments are linked to earnings. An increase in National Insurance contributions (NICs) would be the logical response to this loss of revenue, but it hardly looks attractive in the run-up to a general election.

The Government has thus begun covertly subsidising the National Insurance fund from general tax revenue. This is somewhat ironic because Mr Nigel Lawson spent years as Chancellor struggling to reduce the fund's reliance on

MR TONY NEWTON, Britain's Treasury subsidies. The social security secretary, is so-called Treasury Supplement has only just been apolished. The return of subsidies may be embarrassing, but does it matter? Some critics will say no, on the grounds that NICs are merely a crude tax on employment; a cross subsidy means less weight is placed on a bad tax. In the long run, say such critics, NICs should be merged with income tax and the fund

wound up.
This may look an appealing argument, but it ignores the attractions of contributory benefits. There may be no actuarial link between contributions paid and benefits received, but many elderly people, with some justice, believe they have "earned" their state pension. Tax financed income support is regarded as state charity.

There is a more telling objection to Mr Newton's overdraft, When the Thatcher Government swept to power in 1979, it promised to abolish state subsidies. It claims to believe that companies and individuals should face the true economic costs of their decisions. Yet the 2 per cent subsidy for personal hand-outs received by manufacturing industry in the 1970s. The bribe has artificially stimulated the demand for personal pensions - and the premium income of insurance companies because salesmen can offer something for nothing."

There was a case for making personal pensions available, but not for loading the dice against SERPS. Many of those who left the state scheme probably did not appreciate the risks involved in abandoning a guaranteed pension for the vagaries of the stock market. Statistically, a significant pro-portion are likely to end up with grossly inadequate pensions. Even the insurance companies admit that all those who left would be wise to rejoin SERPS at a future date. It is surely the height of fis-cal irresponsibility to under-mine the National Insurance fund by spending 21.5hn of tax-payers' money encouraging people to gamble their pensions. When so many of today's pensioners are obliged to live on so little, the policy looks

the larger national commercial banks reflects an understandable defensive strategy on their part to strengthen their position before the expected arrival of foreign banks in their midst. This looks likely to happen over the next few years. The promised changes in domestic banking legislation will first lift existing restrictions on foreign hapks operating in Swaon foreign banks operating in Swaden; the necessary deregulation there is expected within 12 months. Later the restrictions will be lifted in Nor-

In the past Nordic governments have tended to protect their domestic

banks from outside competition. Now, with varying degrees of enthusiasm, they are openly and positively wel-coming the end of the old regulated system they created in the 1930s. Indeed, a favourable government attitude has been a crucial element in the

current banking upheaval.

The Nordic governments have abolished or relaxed foreign exchange controls and allowed their own citizens and financial institutions to buy

ments has also played an integral role in facilitating the expansion of the

The liberalisation of capital move-

international operations of Nordic companies, particularly the larger Swedish ones inside the EC. It has precipitated a reassessment inside the Nordic banks of how they should devise strategies that will the them closer to such European develop-

It is true that so far there have not been many hig cross-border banking ventures, mainly because restrictions on foreign ownership still make such undertakings difficult. But there is evidence of some first moves to do deals of this sort. The most prominent is the Scandinavian Banking Group

Wage bargaining: advantages of the Japanese way

Sir, Peter Robinson of the Campaign for Work pleads (Letters, January 17) that the United Kingdom should find some more civilised way of managing wage bargaining than occasionally clobbering the economy with a swingeing

deflation. Last Thursday's issue of Asahi (one of the Japanese newspapers published daily in England) reported part of the process whereby, in Japan from January to March every year, a rough kind of "consensus view" about the economy and the size of an affordable. and the size of an affordable pay increase is built up in

Goodwill and

Prom Sir Ian Morroso. Sir. The resistance to writing off goodwill is in part because the write-off is not allowed for able distortion to the net

I would suggest that good-will should be stated in full in the balance sheet and not writ-ten off on acquisition, but until write-off is allowed for tax the write-off in the profit and loss should be balanced by a draft on reserves. Inn Morrow

2 Albert Terrace Mews, Landon NW1

advance of the "spring strug-gie," when wage negotiations take place more or less simul-taneously in individual firms. The Japanese Employers'
Federation (Nikkeiren) held an
extraordinary general meeting
at a Tokyo hotel on January 17 and approved the report of its Labour Problems Study Group, which establishes the federation's basic stance for the wage negotiations. The report came out strongly for the principle of the productivity criterion, which meant, according to the study group's calculations, a wage rise of 3 per cent. However, the president, Mr Suzuki, said at the meeting:

"The 8 per cent to 9 per cent, which the Rengo union federa-tion is talking about, is out of the question, but in the light of the booming state of the econ-omy and the overall shortage of labour, 3 per cent does look a hit unreslistic. I think we need to be looking at some-thing under 5 per cent, cer-tainly, but something in the 4 per cent range."
The point is not to envy an

sconomy where 4 per cent to 5 per cent counts as a realistic figure. The point to envy—and to see whether possibly we can emulate it—is the way the wage bargaining proceeds.

Rate phasing bitterness

From Mr A.S. Paddison.
Sir, Richard Evans ("Businesses protest at rate phasing," January 16) appears to have missed the real point about why those businesses with rate reductions in 1990/91 are complaining so bitterly about phas-

ing.
Mr Evans correctly points out that the percentage reduc-tions in real terms, for prem-ises where the rateable value exceeds £10,000 (outside Lon-don), is 10.5 per cent. But the Government has decreed that 7.6 per cent inflation is added back, so that the net reduction is only 3.698 per cent.

How many years will it take to get down to the relevant level when many businesses are entitled to a 50 per cent

Losers go up by 20 per cant in real terms — but by the time inflation is added, the real percentage increase is 29.12 per cent (and increasing at roughly the same level per annum until they reach the full amount of rates payable on their new rateable values.

A.S. Paddison. Bidwells (chartered surveyors), Trumpington Road, Cambridge

which every hewspaper reamer, somably well acquainted, through daily news items like this, with the basic concept of "the overall increase in incomes the economy can afford without running into

And, because all the bargaining is crammed into a few months of the year, that general consciousness really does

Japan-Europe

Dish for

From Mr Dowld Steeds.

Sir, Emrys Edwards ("The Countess no longer loses her chopaticks," January 12) is optimistic about the availability of satellite television for the learning of languages.

earning of languages. I agree that watching foreign TV is an excellent way to learn. Unfortunately none of

polyglots

the British satellite companies offers any foreign TV channels and a special dish beamed at foreign satellites costs over David Steeds, 7 Campion Road, Putney, SW15

Bundesbank tactics and the European Monetary System

From Mr David Marrison. Sir, George Magnus (Letters, January 17) is probably correct in stating that a sizeable revaluation of the D-Mark versus other currencies in the European Monetary System (bar the Danish krone and Irish punt) is required to resolve the burgeoning trade imbalances within Europe. However, he is unjustified in criticising Sam-uel Brittan for labelling the Bundesbank "irresponsible" in its campaign to force such a realignment (Lombard, Janu-

Of course the Bundesbank's tactics are irresponsible. Not only have they allegedly ignored the desires of any other EMS central bank or. indeed, any other Group of Seven partner, they are also trying to force a result in a system in which they are essentially "outsiders," not "insiders.

Exchange rate levels in the EMS, like any other fixed rate mechanism before it, are set primarily by politicians. Exchange rate economics does not matter much to them unless the politicians are under threat from the strains within the system. Thus the Bundesbank's correct judgment that a D-Mark revaluation is appropriate can be easily ignored by people more interested in vote catching or retaining, than setting "respon-sible" exchange rate levels.

I am surprised that such a good international economist as George wanted to alert the political fixers to the error of their ways. After all, the longer it takes the politicians to address the problem the more likely that the inherent flaws of the exchange rate mechanism's excessive rigidity will be exposed to all the world. David Morrison,

Managing Director, Chief International Economiss, Goldman Sochs International, 5 Old Bailey, EC4

From Mr Donald Franklin. Sir, George Magnus is quite right to stress the importance of recent capital flows into West Germany following developments in eastern Europe as a justification for a revaluation

of the D-Mark.

What he fails to appreciate is the political importance to supporters of economic and monetary union of maintaining cur-rent parities: whether the EMS can withstand an external shock, such as the crumbling of the Berlin Wall, without a realignment is a key test of the sustainability of fixed exchange rates in Europe (for both the Delors and the Treasury models of European mon-Revaluation of the D-Mark's

real exchange rate is none the less inevitable: it can only be secured without EMS realignment if German inflation exceeds that elsewhere for a number of years. Clearly the Bundesbank is

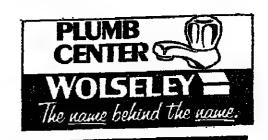
not keen for this to occur through a significant accelera-tion of German inflation. But the rise of other European interest rates in line with German rates despite the absence of comparable domestic inflationary pressures, suggests that other authorities, particularly the French, may be attempting to secure a substan-tial reduction in their inflation rates beneath that of Germany Such a policy may be diffi-cult (growth will no doubt also undershoot), but it is both credible and worthy. Donald Franklin, Chief Economist,

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FINANCIAL TIMES

Monday January 22 1990



Washington mayor admits he has a drug problem



Effi Barry backs her husband (left) at a news conference

mayor of Washington DC, charged with possession and use of crack cocaine, yesterday admitted he had "a problem" amid speculation by his closest advisers that he would not stand for re-election this November and would enter a drug treatment programme, writes Peter Riddell, US Edi-

tor, in Washington.
Following his arrest late on Thursday in a Federal Bureau of Investigation operation, Mr Barry decided to hand over his day-to-day duties as chief exec-utive of the US capital to the city's top administrator.

The Barry affair has not only

gripped Washington but has also dominated national atten-tion, not least because the US capital faces a serious drug epi-demic and related street vio-

The likely end of Mr Barry's more than 11 years as mayor opens the possibility that the Rev Jesse Jackson, America's best-known black politi-cian – and a resident of the city – might stand. He has so far been non-committal, and ther charges. yesterday pulled out of a televi-There has been strong pression interview because, it was said, he had completely lost his

In a televised statement yesterday at his local church, Mr Barry said he had a problem and would seek help "to heal my body, mind and soul." Bishop Hartford Brookins, a minister the mayor had con-sulted, said Mr Barry had admitted some kind of drug and alcohol dependency prob-lem and would seek treatment

There were reports yesterday that Mr Barry would not run

for re-election and that his lawyers might discuss a possible plea bargain agreement with prosecutors. The federal authorities have talked of a continuing public corruption investigation and hinted at fur-

sure on Mr Barry to stand down, from both the majority black community in Washington and from such pillars of the white establishment as the Washington Post newspaper.

Washington Post newspaper.
An opinion poll commissioned by the paper shows that most residents, including a small majority of blacks, believe Mr Barry should resign as mayor immediately.
His arrest has stunned the black community, where he led the fight against drug abuse and trafficking.
Editorial Comment, Page 14

Bush faces battle over taxes and budget cuts

By Peter Riddell, US

A LENGTHY battle between President George Bush and the Democratic-controlled Con-gress over taxation and reduc-ing the budget deficit is in

ing the budget deficit is in prospect after Senator George Mitchell, the Majority leader, yesterday hinted at possible leadership support for a cut in the social security payroll tax. Until yesterday, the Democratic leadership had remained silent since Senator Daniel Patrick Moynihan, the independent-minded New York Democrat, supperfed reversing increases in the social security tax three weeks ago. This has been strongly opposed by the Administration.

Administration.

Mr Richard Darman, the budget director, said yesterday that Senator Moyniban had that Senator Moynihan had
"in effect, thrown a grenade
into the middle of the House
and the Senate. We're going to
have a lot of shrapnel in the
air; and what he's hoping is
that somehow they're all going
to run at once and make it
into a beautiful vos."

A week before the President's budget. Mr Derman said

dent's budget, Mr Derman said that the "peace dividend" in defence cutbacks in defence spending would amount to \$10bn in the coming fiscal year in real, inflation adjusted

"a growing groundswell of support for it in both Demo-cratic and Republican parties in Congress and around the country. I think it's the kind of thing that deserves very serious study...We may well

serious study...We may well endorse it once we get the details of the plan, and, most importantly, determine the impact on the deficit."

He talked of possibily linking deficit decrease to payroll tax reduction. He added that there is "a very real possibility that it might pass."

In an election year, Democratic leaders see the scope for using the proposed cut in social security tax — which mainly benefits lower and middle income groups — as part of larger budget manoenvring along with the Presioenvring along with the President's proposed cut in capital gains tax, which mainly helps the better-off. Senator Mitchell said that the Moynihan proposal greatly complicated a capital gains tax cut

canital gains tax cut.
Senator Moynihan has argued that rises in the payroll tax have boosted the exist-

over two years and undermine the task of cutting the deficit in line with the Gramm-Rud-

Editor, in Washington

year in real, inflation adjusted terms – or \$15bn to \$16bn less than previously planned, ris-ing to \$40bn in four years. Senator Mitchell said yester-day that, while he could not endorse the Moynihan pro-posal yet, he might "well do that soon." He said there was "a growing groundswell of

ing surplus on the social secu-rity trust fund which has been used to hold down the Federal budget deficit.

The suggested cut in the tax would add \$62bn to the deficit

man statutory targets. Fed and White House pull punches, Page 4

Now for the economic revolution

Romania's new Finance Minister talks to Victor Mallet

ILITARY officers do not always make good finance ministers, but Gen Victor Stanculescu, the National Economy Minister in Romania's interim government, is no ordinary soldier. The only gun he carries now is a toy cigarette lighter. In an interview with the FT, Gen Stanculescu outlined the Government's sweeping plans to liberalise industry and agriculture and solicit foreign investment following the revo-

lution a month ago.

Gen Stanculescu said Romania was drawing down its foreign currency reserves to pay for imports, but added:
"With what we have of our own, and with what we are owed by other countries, there are no problems for this year." The current account has moved into deficit after years of surpluses under the austere and brutal regime of Nicolae Ceausescu, who used the money to pay off the entire for-eign debt at the expense of the living standards of his people. The deficit has emerged partly because of the turnoil of the

will be imported in the first quarter of the year. Negotiations are under way tricity supplies from the Soviet Union, Czechoslovakia and

revolution, and partly because the ruling National Salvation Front has suspended food

exports until mid-1990 and arranged special imports. Gen Stanculescu said \$150m of food

Western Europe.
As the former chief of armaments and logistics in the Defence Ministry, he is well placed to procure the food and energy imports which the Romanian economy so desper-ately needs. "I have worked on economic questions for 30

Clashes in

Azerbaijan

Continued from Page 1

continue

years," he said. "The situation has improved a lot...let's hope that the people will have confidence and that the pro-duce will start to arrive at a faster rate."

Diplomats in Bucharest estimate that Romania had about \$1bn in foreign exchange reserves at the end of last year, and is owed some \$2bn by its trading partners, mostly in the Middle East. This should give the country a breathing space until it negotiates foreign

"We are no longer a closed country," said Gen Stancu-lescu, when asked whether Romania would borrow. "We

Diplomats in Bucharest estimate that Romania had around \$1bn in foreign exchange reserves at the end of last year, and is owed some \$2bn by its trading

are analyzing things with our experts and we will begin to approach various countries and international organisa-

He said industrial production was 20 per cent down because of electricity short-ages, and was depressed only another 5 per cent by the post-revolution confusion on the

shop floor. He expressed anger at tradtrying to push up international food prices in response to high demands from Romania, the Soviet Union and Poland. "If the European market contin-ues to do this we will contact Argentina and Brazil, especially for mest."

He spoke of a series of measures which show that the

already relinquishing the old rigid central planning system. Guidelines for foreign investment and joint ventures are being prepared, industrial decl-sion-making is being decentralised, and 2m hectares of badly managed co-operative farmland are ear-marked to be returned

to the peasants who once owned it. His ministry will control the production and distribution of 400 basic materials compared with 2,000 before the revolu-tion. Trade with the West is expected to increase as state companies make their own contacts abroad without refer-ence to any higher authority. The Leu, the Romanian cur-rency, was devalued last week,

with the commercial rate ris-ing to 31 to the dollar from 15, against a black market rate of about 70. Gen Stanculescu wants the economy to adjust to reality but not with a hard

He displays the same caution with his plan for the gradual erosion of consumer subsidies, We shall do it very carefully. It will not be a spontaneous liberalisation but a controlled

n the lobby of the Economy Ministry, the words "Socialist Republic" have en torn out of the brass slogan embedded in the wall, leaving to declare "Long Live

Gen Stanculescu and his colleagues are busy receiving foreign visitors and securing imports for the year ahead from Western and Eastern Europe. They know, however, that much larger questions about the country's economic future have yet to be resolved. The new generation of Romanian leaders in the ruling Front and in the various political parties beginning to emerge have begun to grasp the enor-mity of the task which awaits

Much of the debate focuses on the difficulty of transformon the timestry of transforming a rigidly-controlled planning system into a thriving mixed economy, at the same time as meeting the expectations of the Romanian people

after the December uprising.

It is true that the Ceausescu regime, having squeezed the population dry, left no foreign debts, but he also left no private husinessmen carable of vate businessmen capable of buying up the ailing state industries now touted for privatisation. Investment was

The new generation of Romanian leaders in the ruling Front and in the various political parties beginning to emerge have begun to grasp the enormity of the task which awaits them.

insufficient and mis-directed into heavy industry. Private farms were either swallowed up or discouraged by the state. Government statistics were largely bogus and the true figures are even worse than expected.

Last year's grain harvest was 17m tonnes, not 60m tonnes announced by Mr Ceausescu. Poiato production was a quarter of the official figure.

If the interim Government goes too far in laying down the law for Romania's economy or for its political system, it risks being accused yet again of rid-ing roughshod over other political groups and their views. Political instability is therefore likely to slow the pace of Romania's inevitable econmic

Romanian Government is Diplomats try to end impasse over Hong Kong constitution

By John Elliott in Hong Kong

Baku city executive committee. The television station in Baku, which had been taken over by Azerbaijani nationalists, was rocked by an explo-sion on Friday, blamed by the military on the nationalists, and by the latter on the mili-tary. Broadcasts had not resumed last night. ment from 1997, when China

In Nakhichevan, nationalist Azerbaijanis seized control of the television station to broadcast an appeal in seven lan-guages against "the genocide of Moslems" in the region. Meanwhile, thousands of Azerbaijain Communist Party members were burning or returning their party cards.

Soviet television last night showed pictures of a rally in the city of Gandzha (formerly Kirovabad) with Communist Party members publicly burning their cards.
The military action has been

WORLDWIDE WEATHER

bitterly criticised for apparently being taken not to stop the violence, but to defend the Communist Party against a

BRITAIN and China are involved in intense diplomatic negotiations to try to end an impasse over the future consti-tution of Hong Kong. This fol-lows Peking's decision on Sat-urday to restrict severely the territory's democratic develop-

regains sovereignty.
Peking-dominated drafters of the Basic Law, which will form Hong Kong's constitution after 1997, decided on Saturday that only 18 people in Hong Kong's 60-seat legislature should be directly elected in 1997, and that their power should be curtailed by a two-tier voting sys-tem which would give blocking powers to indirectly-elected

The present system is a mixture of representatives appointed by the Governor and indirectly-elected members nominated by professional groups. There are currently no directly-elected members.

Peking also shocked the UK and Hong Kong at the weekend by stating that foreign nation-

als should fill only 15 per cent of the legislature's seats. This is intended to bar people who gain a right of abode under the UK's plan to offer British pass-ports to up to 225,000 people. Limited concessions were introduced for the composition of the legislature in 1999 and of the legislature in 1999 and 2003, by which time 50 per cent would be directly elected. But the overall package was critic-ised by Hong Kong's drafting representatives and is unac-

ceptable to majority opinion in the colony.

The Peking-London talks are almed at finding a compromise which will enable the two countries to agree on a pro-gressive introduction of democracy, with the two countries

plans converging in 1997. If agreement is not reached, the UK is considering announc-ing 20 seats for next year and leaving a decision on 1995 until

later.
The UK's target, which is in line with broad Hong Kong opinion, is believed to start with at least 20 seats in 1991.

This would rise to 24 seats (40 per cent) in 1995 and continue through the 1997 change-over, converging with China's sys-tem, which would then go fairly quickly to 50 per cent.

The target of the current behind-the-scenes diplomacy is to reach agreement by Febru-ary 12, when the full Basic Law Drafting Committee meets for its final plenary session. The law goes for ratification to the Standing Committee of

the National Peoples' Congress in Peking in March or April. There were reports yesterday that the US would change tactics over its opposition to the British policy of forcibly repa-triating Vietnamese "boat peo-ple" who have escaped to Hong State Department officials

said that at an 18-nation meeting in Geneva tomorrow the would relax its current stance of outright opposition, in return for British agreement to halt involuntary repatriation for a year.

EC backs Soviet call for early summit

Continued from Page 1

standing for the enormous dilemmas. We just hope that the military intervention is in proportion to the problem," Mr Hans van den Broek, the Dutch Foreign Minister, said after the

Out of the EC meeting emerged "a common desire to help Mr Gorbachev and to support his policies for reform and democracy," said Mr Roland Dumas, the French Foreign Minister. But the 12 were also anxious to plan a new security structure for Europe, beyond an arms reduction agreement later this year, that could leave

increasingly redundant, said case in Eastern Europe and Mr Gianni di Michelis, the Ital-could join the Community

ian foreign minister.

The CSCE conference which produced the Helsinki Final Act in 1975 had, said Mr Collins, proved its worth in letting the 33 European countries plus the US and Canada protect their legitimate rights. However Mr Douglas Hurd, the UK Foreign Secretary called for careful preparation before the

For all the talk of common positions Mr Jacques Delors, the Commission president, pro-voked some disagreement when he repeated his view that Nato and the Warsaw Pact East Germany was a special

before 1993. All other states, including the recently-rebuffed Turkey, have been told they stand no chance of joining the EC until it has finished its single market plan.

Mr Delors said it was his personal opinion, as distinct from that of the Commission, that East Germans - as potential West German citizens deserve special treatment and would have three options. After their elections in May, they could have formal association with Brussels, membership as the 13th EC state, or membership as part of Germany.

THE LEX COLUMN

Let the buy-out also beware

As Lowndes Queensway returns from suspension today, shareholders are entitled to ask themselves why on earth they should pay for a rights issue five months after the last one. The whole point about buy-outs is supposed to be the substitution of debt for equity. This deal involves more than This deal involves more than tripling the equity base, with the injection of £35m of equity capital into a business which was only worth £27m when its shares were suspended.

It is also unclear when the provide a

It is also unclear when the new shares might provide a return. Given the risks, it would be reasonable to expect at least the same 15 per cent yield as can be got on cash. At a price of 5p and assuming some kind of dividend cover, this implies earnings per share this implies earnings per share of 1p, or operating profits of perhaps £35m. For a company forecasting net losses this year of £45.5m and a further £35m of exceptionals, this would be good going. The old Harris Queensway, a rather larger organisation, made only £45m in operating profit in its best

It would hardly do for share-holders to vote down the package, since this would mean the collapse of a business with 5,000 employees. The more sen-sible course is to decline to take up the rights, even if this means diluting the existing shares almost out of existence. After all, any shortfall on the issue has been guaranteed by those to whom the job of recue properly belongs – the bankers who sanctioned the deal in the first place.

UK banks

Now that the UK clearing banks have summoned up the courage to sell the Yorkshire Bank to a new competitor, their recent conversion to max-imising shareholder value ought to mean that they should continue to tidy up their business by disposing of other inherited investment other inherited investment oddities such as the 3i Group and the Agricultural Mortgage Corporation. However, this is mere tinkering in contrast with the sweeping changes in the banking landscape which-are likely to occur over the

next few years.

The old pecking order in UK banking has remained virtually unchanged since the hig banking mergers of the late 1960's. The Bank of England did try to tidy up some of the loose ends by arranging the marriage of Standard Char-tered and the Royal Bank of Scotland in 1981. But this was thwarted by a combination of events and, apart from Lloyds Bank's fruitless bid for StanBanks FT-A Index relative to the FT~A All-Share Index

dard Chartered in 1986, the structure of UK banking has been left largely unchanged for heen left largely unchanged for far too long. There are too many banks in the UK and it is possible to envisage at least half of the main High Street banks losing their independence over the next few years. The well documented problems of Standard Chartered and the TSB mean that these two institutions are at the top

and the TSB mean that these two institutions are at the top of any list of potential takeover targets, and they will not be missed. Meanwhile, questions about Midland's future are likely to increase as the end of likely to increase as the end of its standstill investment agreement with the Hongkong and Shanghai Banking Corporation approaches later this year. Some sort of merger is in the best interests of both groups. The Royal Bank of Scotland's share price is already signalling that it is already signalling that

Yorkshire Bank takeover is the price - close to three times book value and 13.8 times earnnook value and 13.5 times earnings. The days when UK retail banks would happily agree to be taken over at below net asset value is long since gone. For a sector which rarely trades at a premium to book value, this can only be good

Global equities

In an era of supposedly global investment, it is surprising that there is not more rigorous analysis of the discrepancies in value between international equity markets. The US fund management group, GMO Woolley, has attempted to do the job by breaking down the different components of investment return. First comes the value-based return, consisting purely of real earnings growth plus the dividend yield. Then comes the revaluation return, consisting of changes in the consisting of changes in the

market p/e and currencies. Analysing the period 1969-89 for the US, Japan, West Germany and the UK shows the many and the UK shows the value-based returns for the four markets remarkably similar. The best, somewhat surprisingly, is the UK, with a total of 7.8 per cent made up of real annual earnings growth of real annual earnings growth of 2.4 per cent and dividend yield of 5.3 per cent. The returns in the other three countries are grouped closely around the 5 per cent level; higher real earnings growth in Japan is counteracted by a lower dividend revent.

payout.
It is the revaluation element of return which has enabled Japan to outperform over the Japan to outperform over the last 20 years. The yen's strength has helped, but the main growth has come from the upgrading of p/e ratics on the Tokyo market. The latter factor has provided an average boost of 8 per cent per year compared with minus figures for both the UK and the US.

The outperformance may be

for both the UK and the US.

The outperformance may be partly due to the starting date. The late 1960's saw the all-time peaks (in inflation-adjusted terms) of the US and UK markets, while the Japanese economic miracle had not been fully grasped by international investors. But the same effect can also be demonstrated over can also be demonstrated over the last 10 and five years. The US has lagged behind the other markets over all three periods, while the UK has roughly matched Germany both in terms of real earnings growth and total real return.

The obvious question is whether the Japanese outper-formance is sustainable, or whether, as markets grow more capable of efficient arbitrage, the gap will narrow. To an extent, the differential was reduced in 1989, more because the other markets started to catch up than because Japan alipped back. But there is no sure reason to suppose that the

sure reason to suppose that the gap will be further reduced. It might be argued that the growth in Japanese p/e ratios has been caused by low interest rates pushing savings into equities rather than cash. In fact, of the four countries Japan has seen the highest real interest rates over the period. - 3.4 per cent against 2.4 per cent for the US. Nevertheless, it may well be that the low rates of inflation and nominal interest rates in Japan susisin equity values. The lower dis-count rate which investors would apply to future Japanese, as against UK or US, cash flows would result in a higher present value of Japanese shares. But if nominal Japanese interest rates keep rising as they have done lately, so much the worse for equities.

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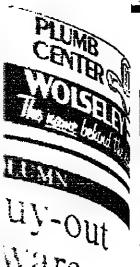
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FINANCIAL TIMES COMPANIES & MARKETS

Monday January 22 1990



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INSIDE

Investors will feel pain of break-up

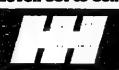


The appointment of an administrator means Dominion International. the financial services and property company, will now inevitably be broken up. It is clear. ers are unlikely to recover any of their investment and, with buyers being sought for profitable subsidiaries,

the effort to assign blame for the company's collapse is only just beginning. At the centre of the controversy, but no longer of the company itself, is Mr Max Lewinsohn (above), creator of Dominion in its present form. Clay Harris reports. Page 21

New broom sweeps in at Bibbo Mr Mariano Rubio, the Governor of the Bank of Spain, has named Mr Emilio Ybarra y Churruca as president of Banco Bilbao Vizcaya (BBV), the country's biggest bank. The move comes after more than a month in which BRV's board had been unable to resolve its leadership crisis. Page 19

Loveli set to sell holding



YJ Lovell is expected to sell its 10 per cent holding in Higgs and Hill, following the fallure of the £167m hostile takeover-bid for its competitor in

the UK housing and construction industry. The disposal became the most likely option when it was announced on Saturday afternoon that Loveli could claim acceptances for only 34.8 per cent of Higgs and Hills capital. Page 21

The secrets of success

Recent deals involving British Aerospace and Thomson CSF in missiles, and Boeing and three Japanese heavy engineering groups in aircraft development, suggest joint ventures and other non-equity forms of collaboration have become part of a large company's reper-toire. Yet bringing together a market and a product technology does not guarantee sucess, even when leading companies are involved, as the recent collapse of the intel-Siemens venture shows. This wook's flusiness Column gives a check list for the management of successful joint ventures. Page 32

Market Statistics

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Peter Marsh on growing links between drug groups pany. She is talking about the swirl of proposals for equity deals and other alliances that over the past year has been a feature of

the world's \$130bn-a-year phar-maceutical industry. macsutical industry.

The drive to set up such partnerships shows no sign of abating. And according to many observers in the business; Japanese drugs companies, which up to now have had little impact outside their own country, will play an increasing part.

In the medicines industry, leave has a let of establing up to

Japan has a lot of catching up to do. Only one Japanese company
- Takeda - is among the top 15 drugs groups worldwide. And Japanese-developed medicines are thought to account for just 2 per cent of the \$70bn-a-year phar-maceutical market in Western Europe and the US,

People in the West's drug industry, however, view the Japa-nese with respect. They are espe-cially impressed by the way many Japanese companies are increasing their research spend-ing in new areas of healthcare therapies, in biotechnology and cancer treatments for instance. "The Japanese are going to be "The Japanese are going to be considerable competitors," says Mr Gerard Fairtlough, chief executive of Celltech, a leading UK biotechnology company.

Celltech itself is up for sale and

Japanese drugs companies -possibly Chugai or Yamanouchi - have been touted as possible buyers. Bids for Cellisch, expec-ted to come from a number of drugs groups around the world, are likely to be finalised over the next few weeks. And any deal would follow a series of drug-industry shifts over the past year.
These have included mergers
involving large companies, such
as the US's SmithKline Beckman

and Beecham of Britain.

Last week Rhone-Poulenc, the state-owned French chemical and scale-owned French chemical and medicines company, said it would acquire a majority stake in Eurer, a medium-sized US drugs group, to create a new business with annual sales of about \$35n. At the same time Sankyo, Japan's second biggest drugs company, announced plans to spend £78m to huy control of Lutipold-Werk. to buy control of Luitpold-Werk, a West German pharmaceutical maker. This was one of the biggest incursions yet by the Japa-nese medicines industry into the

tral preoccupation by virtually all drugs businesses: the escalating costs of research and develop-ment (R&D). These costs, which often account for 10-15 per cent of a company's turnover, are rising

"EVERYONE is looking at everybody else," says Ms Helle Bechgaard, president of Benzon Pharma, a Danish drugs company and the says of the s new drugs are safe.

Japan's medicine men

set sights on the West

Another factor is that drug technology is becoming more complex, and therefore more

expensive.
In this climate, drugs companies are trying to maximise sales of a new product by marketing in as many countries as possible. In this way, they can gain a greater return for the \$100m which it can cost to bring a new drug on to the market.

That explains the moves towards a concentration of resources in the drugs industry in which large groups merge both their sales and R&D teams. It also underlines the rationale for

also underlines the rationale for looser alliances in which companies join forces on specific projects, either in research or marketing.

When Japanese drugs groups have in the past had especially promising products, they have generally sold them in the West via licensing deals in such very via licensing deals. In such ven-tures, a partner with an estab-lished sales force in either the US or Europe agrees to market the drugs for a large slice - which may be up to 70 per cent - of

but this pattern is changing.

All the hig six Japanese drugs groups — Takeda, Sankyo, Tanabe, Fujisawa, Fujisawa and Yamanouchi — are looking increasingly towards establishing their own sales operations out-side Japan. That can be done either by hiring people in a step-by-step approach or by taking over existing businesses.

The Japanese are showing increasing interest, too, in linking with research teams in West-ern companies to gain insights into new ideas in areas such as biotechnology and medical diag-

Manufacturing does not figure highly in the overseas strategies of Japanese companies. Most most important chemical ingredients, are made in sufficiently low volumes and at high enough costs to justify the expense of shipping them long distances. Much more central is the ques-

tion of marketing. Large drugs companies commonly employ up to 2,000 sales people (or "detail staff") in a big market such as the US or the whole of Western Europe. The job of these people is to form relationships with the medical community in the countries concerned. Companies need a good rapport with doctors, both in setting up clinical trials in a specific nation and in convincing physicians to prescribe their products once the trials have finished

Establishing a detail force of this sort in the drug industry is highly arduous and cannot be achieved overnight. That explains the attraction of buying an existing marketing operation. Not just the Japanese but other drugs companies with only a limited presence in the European

Community are thinking hard about philosophies of this sort. That applies especially to compa-nies in Scandinavia which are interested in expanding in the EC prior to the completion of the internal community market after

MOVES BY JAPANESE DRUGS GROUPS IN US AND EUROPE

March 1988. Fujisawa buys majority stake in Kling Pharma, West German drugs company, for December 1988. Sumitomo

invests \$10m in Regeneron, US drugs company researching neurological products. March 1989. Yamanouchi buys Shaklee, US vitamin and health-

care company, for \$395m. April 1989. Eisai sets up Euro-pean sales and marketing base in London May 1989. Chugai takes £3m stake in British Bio-technology,

UK blotech company. October 1989. Eisai opens US drug research unit in Massachu-October 1989, Fujisawa buys

LyphoMed, US drugs company, for \$750m. October 1989. Dainippon signs joint venture with Rhône-Poulenc of France on marketing Dainippon products in Europe. November 1989. Chugai buys

Gen-Probe, US diagnostics com-pany, for \$100m. November 1989. Dailchi agrees development project with Chiron, US blotech company. November 1989. Chugai agrees partnership with Rhone-Poulenc

on biotechnology drug. December 1989, Japan companies discuss informal European-based association to spear-head moves into Europe. January 1990. Yamanouchi signs licensing agreement with Micro-genics, US company in medical

January 1990. Sankyo pays £78m for majority stake in Luitpold-Werk, West German drugs com-



Pensions, taxes and the Wimbo factor

By Anthony Harris in Washington

supported not only by liberals

who want to embarrass the Presi-

dent, but by some leading conser-

vative lobbies, such as the Heri-tage Foundation, which support

the proposal on principle. They

regard funding as an illusion, and the present use of funds as a

However, Mr Bush, demon-strating his new decisiveness,

has come out squarely against the plan, explaining that it would

involve either a rise in other

taxes, or a cut in benefits. Thanks to Panama, he may well

get away with these half-truths,

and check the stampede before it is more than a little restless shuf-

fling.
All the same, the issue is worth
a closer look. The principle
involved is one that is debated

wherever retirement incomes are

in any real sense, or are they

inevitably a charge on the national income available at the

time they are paid? To put it

another way, how can money taken in tax today generate extra income tomorrow? If we are con-

cerned with the whole economy,

rather than with the claims one group can make against another,

the answer is clear. Official "saving" can only generate extra income if it is used to finance

productive investments which

collected for the US social security scheme would be invested, Japanese fashion, in private sector production, at home or abroad, indeed, Republi-

cans would resist any attempt to

invest in this way as blatant

socialism. It is also unlikely that

on the infrastructure, which might well do more than the

building of new factories to

encourage future productivity,

though some Democrats might.

Instead, the chances are that the surplus that has now begun

to appear in the Fund will be

invested purely in Treasury stock (it would need a new law to per-mit any switch), and deployed

t is very unlikely that money

would not otherwise be made.

discussed: can they be "funded"

he job of reporting from Washington has become should have enormous partisan appeal for the Democrats, by pushing the President into a corunusually difficult in the last few weeks, because of the ner where he must oppose a tax cut benefiting ordinary wage earner, while stumping up for a invasion of Panama. Perhaps it is envy left over from the days when we could get away with gunboat diplomacy, but I have yet to meet a foreign journalist capital gains cut. It is not surprising, then, that the White House initially admitted a fear of a pro-Moynihan "stampede". His proposal is being who regards this exercise favour-

To outsiders it looks like an absurd military overkill, whose declared objective - the arrest of General Noriega - was surely a breach of international law. If this was the President's attempt to shake of a "wimp image", it failed with us. What we see now is not so much President Rambo as President Wimbo. However, that is not how it

appears to at least 80 per cent of Americans. They strongly approve the Panama action, and that could have an important effect on policy decisions in the next few months. For some time to come, the Democratic whips will probably find it hard to assemble the votes to oppose anything Mr Bush badly wants, or to

back any proposal he dislikes. We will soon know. The budget process gets its official start when the President launches his own proposals next week. These will include a cut in the tax on capital gains, and a new, seem-ingly half-baked scheme to encourage private saving. Both of these will no doubt pass, despite their lack of any serious merit. The President's capital gains cut, undermining the level field cleared in 1988, means that tax avoidance, through schemes which substitute capital gains for income, will pay once more (as soon as there are any gains to tax). The consensus among econ-omists is that a loss of revenue is certain, while any gain in real capital formation is at best ques-

There is a sensible alternative: index capital gains rather than cut the tax on them. This would offer some investment incentive, but no loophole; the idea, however, seems to have got lost in the muddle over this proposal lest year; and Mr Bush wants something he can call a cut. Meanwhile, Senator Daniel Pat-

rick Moynthan has come up with a cut of his own. This would reverse the 1.1 per cent increase in the social security of the last seven years, and put the public provision of retirement incomes on to an openly acknowledged pay-as-you-go basis. This plan

simply to conceal the size of the deficit on the rest of the government's accounts - just as it is being used now.

It ought to be possible to stop this fraud; indeed, the President made a campaign issue of it in 1988. Senator Phil Gramm, a right-wing Republican, once floated a proposal to protect the fund from these raids by re-writing the Gramm-Rudman target which he co-sponsored in terms which excluded the social secu-rity balance. The budget director, Mr Richard Darman , has proposed making a similar change once the existing deficit - which includes the social security surplus – is eliminated.

Towever, the Gramm plan has been opposed by many conservatives on the grounds that it would compel the President to raise taxes to cover the present shortfall, while providing Congress with a huge new pork-barrel of money to spend in the interests of their constituents. The Darman plan to achieve honesty by easy instal-ments would run in to the same trouble later. These objections are arguments for Moynihan: if Washington cannot be trusted to handle the surplus, then it should not be accumulated in the first place. However, the President will defend the status quo for fear of being forced to raise some other tax. The retired lob-bly will support it, because its most powerful argument against any attempt to cut pensions or tax them is that they are the fully bought property of the pen-sioners. The alliance of the victo-rious President and the grey lobby looks irresistible.

There is one power centre which is not over-awed by Mr Bush's new clout. The Federal Reserve will do what it sees as its duty, and the White House is already openly grumbling about the high interest rates involved. But will the Fed view change?

Governors Wayne Angell and Manley Johnson have both now stated that the only verdict the bond market; but as soon as the market learned of this responsibility, it fell a full point. We could be in for a nasty

stand-off, while the governors wait for a sign that the market supports their policies against inflation, while the markets wait for the governors to cut rates. Or perhaps politics will resolve this tangled piece of economics too.

Economics Notebook

The land of rising unease

TO THE bemusement of both government and private sector economists, the Japanese economy has recently taken on that of a badly managed under-developed country. A flight of capital has been driving down the exchange rate and forcing the authorities to increase interest rates in a bid to stave of infection. The spectre of off inflation. The spectre of political instability following next month's general election has also been raised, adding to a general sense of unease. Of course, the comparison is

ridiculous one. The key difference between Japan and a banana republic is that in Japan the latest economic trends are a function of the economy's extraordinary strength and success rather than any weakness. To wit, the country's industrial companies and investment institutions are so flush with cash that, more and more, they have to look abroad for investment opportunities.

They have been doing so with increasing relish in recent years and, despite the country's massive trade surpluses, they have managed to invest substantially more abroad than they have been earning. Japan's net long-term capital outflow in 1988 was \$130.9on compared with a trade surplus

Oddly, although the surplus outflow has existed for a number of years, it has only become a major factor in the foreign exchange markets in

the past year. Until then, Japanese investors, fearing further declines in the dollar's value, hedged their outward investments as much as possible. Last year, they grew more confident about the stability of the dollar and removed most of their forward cover. This had the effect of boosting demand for the dollar and, perversely, weakening the

The Japanese authorities were caught completely off guard by these trends and are still groping for ways to deal with them.

They had been operating on the assumption that the trend of trade flows would underpin a persistent strengthening of the yen which, in turn, would help keep inflation under control in Japan and contribute to the reduction of the country's

when last spring the value of the yen started to decline, they assumed this was an aberration and responded in the conventional way by fighten-ing monetary policy.

However, by the end of last month, after three rises in the

official discount rate in eight months had failed to remove the aura of frailty hovering around the once mighty yen, they were feeling rather sheep-

That things have not worked out as they expected is perhaps a surprise, but it may turn out to be a salutary one. Both government and private sector economists have probably been too eager in the past to embrace the view that the Japanese authorities have more power than most to make their economic policy wishes become reality.

In fact, as the country's economy in general and the flow of investment funds in particular have become liberalised, the power of the authorities to influence events was

bound to fade. Their transparent failure to control the exchange rate in recent months has undoubtedly contributed significantly to the general sense of unease that has emerged both in Japan and abroad about the prospects for the Japanese economy and financial mar-kets. Indeed, if their moves to try and influence the exchange

so far, the rapid rise in interest rates in recent months has

begun to have a substantial impact on Tokyo financial mar-kets. The bond market has plunged this month and the Nikkei average of 225 leading shares on the Tokyo Stock Exchange has lost about 5 per cent of its value since the beginning of the year.

Market pundits have raised all sorts of reasons for these

slumps - the prospect of political instability in Japan after next month's election, fears about the reform movement in heightened trade tension between Japan and the US and these issues are certainly affecting market sentiment.

But most economists believe that the Japanese economy will remain extremely competitive for some years yet and that the decisive factor in today's markets is the enthusiasm of the country's huge institutional investors for overeas investment.

Some suspect this will fade as soon as US interest rates are lowered or it becomes apparent that they will not go lower. Others are more pessimistic, suggesting that these institutional investors have developed very sophisticated techniques for maximising returns by bouncing in and out of vari-ous currencies and instru-

They fear that the Bank of Japan will have to raise domes-tic interest rates to levels equal to those available abroad to entice money back home. Such a move would, of course, stifle demand unnecessarily, a development which would not please anyone, but may be inevitable in an era when financial market trends can diverge so substantially from economic fundamentals.

THIS WEEK

Friday's UK trade figures vie with the US gross national product figures for the atten-tion of financial markets this

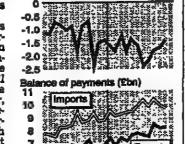
Following last month's improvement in the UK current account deficit, to £1.4bn from £1.7bn in October, analysts are looking to see whether the shortfall will shrink for the fifth successive month in December. However, the consensus of analysts' forecasts prepared by MMS International, the financial research

company, points to a slight increase to f1.5on.

Last week's news of a strong bounce in provisional UK retail sales in December has prompted fears of a renewed jump in imports. The strength of the Deutsche-mark is not expected to have buoyed up export volumes at this stage. But some analysts believe the current account could benefit from a revival in oil exports. With markets concerned about slow growth in the US, the GNP figure, also out on Friday, will be closely watched. Analysts are expecting only a

fractional rise of 0.4 per cent in the fourth quarter. Natural disasters - Hurricane Hugo, the San Francisco earthquake, and the "cold snap" - have combined with a recent run of weak data and strikes in key industries. Some analysts are predicting even more sluggish growth, and speculating that the Fed might have to ease interest rates.

Today, UK industrial production figures for November are expected to point a slowing economy with a 0.1 per cent decline in output by the so-called production industries. These comprise the manufac-turing, energy and water sec-tors. Manufacturing output alone is expected to be flat during the month. Recent Confederation of British Industry surveys have reported a marked drop in output growth expecta-tions, while the underlying rate of manufacturing growth has slowed to around 3 per cent in October from seven at **UK trade balance** Current account deficit (£bn)



the beginning of the year. Accompanying the output data will be the latest estimates of unit labour cost and productivity increases in man-

Exports

ufacturing.

West German figures that could give an indication of inflationary trends are likely to include money supply and export and import prices for December. Other events and statistics (with MMS consensus figures in brackets) include: Today: West Germany, annual economic report.

Tomorrow: US, the federal budget balance for December (\$14bn in deficit). UK, building societies' new commitments for December. East-West economics commission meets. Wednesday: US, the Federal Reserve publishes its Beige

Book for Federal Open Market Committee meeting on Febru-ary 6 and 7. UK, cyclical indicators for December. Thursday US, import and export prices for December. Japan, personal income and consumption for November. US, employment cost index,

fourth quarter. Friday: Japan, industrial production for December, UK current account, minus £1.4bn in November: US durable goods for December (minus 1.5 per cent). UK, engineering sales and orders at current and constant prices for December. UK, quarterly house purchase statistics, fourth quarter.

Norton Opax, Inc.

a subsidiary of

Bowater Industries plc.

has sold R.S. Means Company, Inc. to

Southam Inc.

The undersigned initiated this transaction and acted as financial advisor to Norton Opax, Inc.

Prudential-Bache Capital Funding

INTERNATIONAL CAPITAL MARKETS

BANK LENDING AND COMMERCIAL PAPER

Campeau failures make for caution

THE NEW decade is starting too slowly for the liking of many international bankers, with events conspiring to make prospects for their money-spinning mergers and acquisition lending look poor.

Appetite for anything but the most cautious of leveraged financing is weak among banks, as some are being forced to make provisions for leveraged deals which have gone awry on both sides of the Atlantic. Non-bank investors for new junk bonds have also gone to ground amid well-pub-licised problems, such as the Chapter 11 filings at Campeau.

Yet stock markets worldwide do not appear to have adjusted to the bearish signals being sent by this and the collapse in the world's long-term bond markets this year. Unless and until that stock market adjustment takes place, it is unlikely that debt-financed bids will be able, except in exceptional circumstances, to provide the pre-mium over stock market valuations necessary to launch bids. At the least, banks are taking much more care over the structures of such financings in the belief that, in the right

circumstances, cautious, well-conceived deals may still work. The leveraged buy-out finan-cing described last week for Swedish Match is being looked on as a market bellwether, although one which may not be easy to replicate. The \$409m in senior loans, which are pro-tected by nearly \$70m of mez-zanine or junior loans, carry in part a relatively generous 2 percentage point interest

The fact that the mezzanine has been placed suggests potential investors have not

EUROMARKET

TURNOVER (\$m)

Week to Jamesy 18, 1990

completely disappeared. Swedish Match is also a well-known name among international banks. Its businesses are generally regarded as mature, suggesting they generate significant cash flow which can be applied to repay debts, and are spread across a number of economies and sectors. In other words, it should be

reasonably well proofed against difficulties suffered in Outside the leveraged area a number of other corporate deals have emerged, although some were syndicated last year. The West German subsidiary of Solvay of Belgium, for example, signed a DM1.6bn deal last week arranged by Deutsche Bank Luxenbourg.

Amerada Hess is also due to sign this week a \$750m eightyear revolving credit, syndi-cated last year by Chase Man-hattan and Citicorp. Those details which have emerged suggest an eight-year final maturity with repayments starting in 1994. There is a commitment fee of % per cent and an interest rate margin of % point, which may rise in certain circumstances to %. The funds are essentially to refinance some existing debt.

New to the market is Boise Cascade of the US, which has mandated National Westminster Bank and Bank of Amer ica to raise \$750m.

Manufacturers Hanover has syndicated an Ecu65m loan for Sparbanken Sydjylland of Den-mark, which looks likely to be

In the sterling commercial paper market The Mortgage Corporation, the UK specialist mortgage lander owned by Sal-omon Brothers, has after only three months increased the size of a £150m programme to £250m. Issuance expanded to £145m in that period — about 3.5 per cent of the total market — which the company attributes to its flexibility.

NatWest Capital Markets and S.G. Warburg Securities are dealers for the paper, which is guaranteed by Salo.

which is guaranteed by Salo mon Inc and carries an A1/P1 Last year's Budget deregula-tion of the sterling CP market

broadened the number of

potential issuers significantly. Stephen Fidler

INTERNATIONAL BONDS

West German trading wallows in pessimistic mood

THE WEST German bond market is holding hard to its pessimism, in striking contrast to the euphoria of the political

reception given to liberalisa-tion waves in the East bloc.

In buoyant mood, foreigners have piled money into the thin West German stock market, pushing the FAZ index to its highest level since April 1986. But bonds continue on the steep downwards track which has been their doggedly steady path since early last year. German bund futures prices

have declined precipitously this month to lose 2% of a point since New Year, breaking through the key technical support of 88.70 last Wednesday. Bunds have picked up 39 basis points in yield to a level of 7.71.

per cent. German bunds are not alone in their steep decline as inves-tors have lost confidence in bond markets around the world this year. The fall in bund prices must also be considered against a background

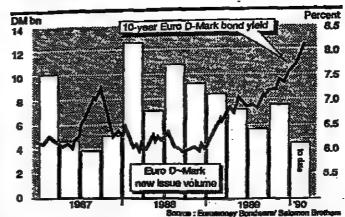
of a 40 to 50 basis-point increase in Japanese bond yields.

However, German investors hold on tight to inflation fears as they persistently construe any news from eastern Europe as bad news for inflation.

The opening up of eastern Europe implies a hoge demand for new capital, almost all of which will be financed in West Germany. Add to this the clamour for consumer goods which our for consumer goods when grips the surge of workers from Rast Germany to the West and the scene is set for an overheated economy. Inflation is currently run-

infiation is currently turning at 3 per cent in Germany, although worries of mediumterm inflation have led to the Bundesbank tightening money supply. The market remains concerned about a half or even 1 per cent rise in interest rates as contract talks with the country's metal workers' union learn in March

With German money market rates high - the Lombard rate



MEW INTERNATIONAL BOND ISSUES

8.929 8.780

7.568 7.208 0.250 7.211 7.155 7.440

is at 8 per cent and the dis-count rate at 6 per cent — few investors are interested in holding bonds. "Although an inverted yield curve is a way of life here, the Germans are not used to it," believes Mr Steven Bell, chief economist at Mor-san Grenfell in London. gan Grenfeil in London. Many German bunds are

held by foreigners reluctant to

take a long-term investment stance when world interest rates are so high. West Germany has few investment insti-tutions which will hold on to bonds whatever is happening in the money market. The German bund market is

also dominated by a liquid futures market where technical

factors often give the direction.

With a depressed bund mar-ket, few foreign investors are interested in holding Eurobond issues given the lack of demand for long-term D-Mark paper. New issue activity has almost dried up in the German Europond sector with the exception of domestic floating-

There have been about seven floating-rate issues in Germany this year, the latest of which a DM500m deal for Ireland was brought to the market on Friday by Dresdner Bank. Floating-rate paper gives inves-

tors a way to keep up with volatile interest rates.

The Bundesbank gave another indication of its tight credit policy last week when it drained DM4m from the bank-ing system, and market players believe it is unlikely to ease until this year's round of wage nezotiations are over. More than half West Germany's wage contracts are up for renegotiation this year with

strong position to push its demand for a 9% per cent pay rise, accompanied by a shorter working week - which would lead to a 12% per cent rise in Mage costs.

agreement that is seen as a

benchmark throughout the

industry. IG-Metall is in a

The metal workers exchanged a pay rise in the last round of negotiations three years ago - for a shorter working week. But they now face employers with bursting order books and strong cash

Employers are not averse to granting higher pay rates than the Bundesbank would like, given their healthy business prospects. But the central bank is trying to keep the bench-mark down to between 5 and 7 per cent. It has a difficult job on its hands and bonds could continue to tread a pessimistic

Deborah Hargreaves IG-Metall - the metal workers'

Borrowens	Amount M.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield	Е
US DOLLARS								T
Daiwa House Industry®	800	1996	- 5	27	1400	Nomura int.	2.875	
Daiwa Bank§	100	1995	5	33	100	Nomura Int.	5.760	- 1
Denmark, Kingdom of ♦	100	1985	ā	8%	1013	Goldman Sachs Int.	8.432	
Trine I M-Series .Kcht	42.48	1981	11-5	- No.	100%	Toyo Trust Int.	-	•

	Daiwa House Industry	800	1995	· 5	23	100 100	Nomura Int.	2.87 5.76
	Daiwa Bank§♦ Denmark, Kingdom of♦	100	1985	3	31. 8%	10134	Goldman Sachs Int.	8.43
	Tripe Ltd-Series J(c)+	42.48	1981	5 11 ₂	1.	100%	Toyo Trust Int.	9.70
	Dong Ah Con.&Ind.(x)§	50	2004	15	14	100	Swiss Bank Corp.	1.29
	AUSTRALIAN DOLLARS							
	Angon NV	250	2000	10	Zero	30,45	Bankers Trust Int.	12.62
	HONG KONG DOLLARS							
	World Bank◆	500	1006	6	8,36	1001 ₂	Parities Asia (1986)	9.09
	D-MARKS							
	Austria(a)‡	700	2005	18	-15bp	10014	Salomon Brothers	
ı	Swedish Export Cr.(b)	75	1985	3	3	1015	Sankers Trust	2,58
	Great Belt A/S(o)≠●	200	2000	10 5	(o) 8 %	100	Margan Stanley	
	Bk For Econ. Att. USSR♦	500	1986		8%	108	West_B	8.87
ŀ	ireland(p)‡ 	500	2000	10	-38	100	Dresdner Bank	
	Bk of Tokyo(Guracao)#	120	1096	6	(u)	102	Elk of Tokyo(Germany)	•
	SWISS FRANCS							
İ	Kanagawa Electric(d) ***	70	1995	-	Zaro	100	B.della Svizzera (t.	
	Mori Steel Spring(s)***	35	1984	-	Zero	100	Giticorp Inv. Bank	
	Daiwa Bank(n)***	150	1995		34	100	SBC	0.25
	Kyushu Leasing(h)★★§◆	75	1994	-	No.	100	Nikko (Switz)/BSI	0.25
1	Misawa Van Corp.(i)***	50	1994	-	14	100	Credit Summ	0.25
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Misawa Van Corp.(()本本等 Shiga Bank金本本等 Hibiys Eng.(r)本本等 Mitani Sakisan(v)本本等 Tomiya Apparel(w)本本等 Tomiya Apparel(w)本本等 Toronto-Dominion Bank Polly Peck Int.Fin. S'tomo Corp.Less.(k)本本等 ETSC 1995 1994 1994 1994 2000 1997 1984 1995 1995 1997 1997 Zero Zero Zero Zero Zero 7 Zero 2 Zero 7 Zero 7 Zero 2 2 Zero 2 2 Zero 2 2 Zero 2 2 2 Zero 2 2 Zero 2 2 2 2 Zero 2 Bank Lau UBS S.G. Werburg Sodill ECSC+++ Yokowo Mig.Co.(()± k§ Hamburgische LB★★♦ GMAC Canada★★♦

Sorrowers	Amount m.	Maturity	Av. life . years	Coupon	Price	Book runner	Offer yie
Tokyo Takko Co.*** Aoyama Trading(y)***	710 350	1995 1994	•	Zero	100 100	Gradit Suisse	1.0
Moon Bat Co.(z)***§ Nakayama Steel Wks****	. 70 . 130	1985 1995	-	Zero 1	100 100	Banca del Gotturdo UBS	1.6
STERLING		•	** •				
Compagnie Bancaire(j)‡ Pritish Telecom.	200 290	1995 2000	5	(I) Zero	99.80 33.90	LP. Morgan Secs. Shearson L'man Hutton	113
ECUs							
EIB∳ Credit Local de France∳	500 125	1997 1995	7 5	10 ³ 4	100.20 1014	UBS Philips & Drew Credit Lyonnals	9.9 9.9
LIRE							
Sanyo Electric Fin.	10000	1994	4	77)	101.46	Banco di Roma	12.5
PESETAS				· :			
World Bank.	Mari	1995	- 5	: 13.46	101	B.Sentander de Neg.	13.1
Austrian Schillings	•						
Austria 🕶	7ba	1993/02	22	-1	100	Raiffelsen Zentralbk	
LUXEMBOURG FRANCS				. *			
SDS Bank A/S+++	900 -	- 1993	3	912	1005	EGL.	9.2
Wereldhave NV÷k. Copenhagen Handelsbki.k.	300 300	1991	3	1014	101	Credit Europeen	9.4 9.5
Bacob Financa NV##	300	1993 1993	3	101 ₄	101 L	BGL Banque UCL	9,5
YEN					101.4	Distribute descri	
Mitsul & Co.(H.Kong)	160n	1994	4	. 10	101%	Backere Trust Int.	0.4
Trips Ltd-Series H(e)◆	233bn	1993	31	74	102	Toyo Trust int.	6.6
Trips Ltd-Series H(e)	.2.14bn .	1800	94	8,1	102	Toyo Trust Int.	7.7
Christiania Bank(i)	2 Shin	1992	2	84	1014	Morgan Stanley	8.1
Toronto-Dominion Banke Trips Ltd-Series I(g)‡e	7bn 11.07bn	1993	3	6.7	1014	Sumilono Trust int.	6.2
Pripe Largones I(q)+ • Private placem at per after 5 years and on soupon			112	200p	100 👼	Toyo Trust Int.	

This announcement appears as a matter of record only.

Super Club Retail Entertainment Corporation

a subsidiary of



Super Club N.V.

\$25,000,000 **Acquisition Facility**

The undersigned underwrote the full amount:

The Chase Manhattan Bank, N.A.

November 1989





Cilva Holdings PLC

a consortium composed of

Lease International S.A. **General Motors Corporation**

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial advisers to Cilva Holdings PLC

Lazard Brothers & Co., Limited

Lazard Frères & Co.

January 1990

INTERNATIONAL CAPITAL MARKETS

Tele-Communications plans Kellogg slips new unit for asset transfers

By Janet Bush in New York

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LA: brorab Hank

The second financial second se

TELE-COMMUNICATIONS. the largest US cable television company, said late last week it was planning to spin off into a separate company most of its programming interests, some of its cable television systems, and other businesses. The move was widely expec-

ted on Wall Street because of pressure from Washington, where there is a growing lobby of Congressmen concerned about the size of some cable companies following the indus-try's deregulation three years

Tele Communications serves about 25 per cent of US cable television subscribers. There are various bills being discussed in Congress which would force the company to have not been finalised, includreduce that share.

Mr John Malone, chief executive officer, said the purpose of the restructuring was to create a growth vehicle for shareholders, unencumbered by poten-tial regulatory constraints. The company's share price has for some time been considered undervalued and last November sunk with other

Tele-Communications "A" shares trading in the over-the-counter market closed \$2% higher at \$17% on Friday. Analysts have put the fair value of the stock at about \$36

cable stocks because of fears of

Full details of the spin-orf

ing exactly which assets will be included in the new company. Among the interests likely to be transfered are a 22 per cent stake in Turner Broadcasting System, which includes common and pre-

Initially the company will have the same shareholders as Tele-Communications and may have many of the same officers and directors, which could pose a potential problem. In its brief statement the company said the spin-off was subject to various factors, including "its consistency with the evolving regulatory envi-

ferred stock valued at about

Charge tips LSI Logic into red

By Louise Kehoe in San Francisco

LSI LOGIC, the leading US producer of application specific semiconductors, recorded a loss last year after taking a charge for the restructuring of its manufacturing operations.

The chipmaker's net shortfall of \$25m, compared with net income of \$25m or 60 cents per share in 1988, stemmed from a pre-tax third-quarter charge of \$43m associated with the

Revenues for the period reached a record \$547m, up 44

per cent from \$379m in 1988. In the fourth quarter the payment of net interest expense offset operating gains to produce a net loss of \$1.7m or 4 cents, compared with income of \$5.3m or 13 cents in the year-earlier period. Revenues in the quarter were \$138.4m, up 16 per cent from

Mr Wilfred Corrigan, chair-man and chief executive, said: "The past year started off well,

orders prompted the company to write off older, less efficient manufacturing capacity and reduce operating expense

"The worst is behind us." Mr Corrigan added that in the fourth quarter LSI Logic's revenues resumed growing, inventories dropped 9 per cent, manufacturing utilisation increased, and all the group's biggest factories were capable of producing cost-efficient sixtuck waters

Second-quarter loss at Cetus deepens to \$16m climbs 15%

CETUS, one of the leading US biotechnology companies, reported heavier than expected losses for its second fiscal

quarter. Expenses were increased partly by efforts to build sales, marketing and manufacturing operations for its first proprietary product, Proleukin, a genetically engineered form of interieukin-2 which has been approved for use as a cancer fighting drug in some parts of Europe.

Costs related to the San Francisco Bay Area earth-quake in October and to the acquisition of two new prodtucts also boosted expenses.

The company posted a net loss of \$15.9m for the quarter

ended December 31, against a net loss of \$11.6m a year ear-lier. Revenues increased by almost 50 per cent to \$8.95m

In the first half Cetus reported net losses of \$29.1m. against losses of \$23.3m. on revenues of \$16.4m compared

with \$11.1m.
Mr Robert Fildes, president and chief executive officer, said: "We now have approval to market Proleukin in six EC countries and we have begun selling in four of those mar-kets." The company also expec-ted to receive additional European approval for new products shortly and believed its growing marketing activities in Europe would contribute significantly to 1990 reve-

Through a joint development agreement with Hoffman-La Rochs of Switzerland, Cetus plans to introduce diagnostic products and services based on its gene-amplification tech-nique called polymerase chain reaction (PCR).

Higher fuel prices slow **Delta Airlines earnings**

DELTA AIRLINES, the Atlanta-based US carrier, said that higher fuel prices and weaker than expected traffic during the Christmas and Thanksgiving holiday season contributed to a 25 per cent drop in profits in its flacal sec-ond quarter.

Net income fell to \$84.2m or

\$1.13 a share in the quarter ended December 31 from \$85.2m or \$1.73 a year earlier. Delta's share price edged \$\%\ higher to \$66\% last Friday as the sharp drop in earnings had been widely expected on Wall Street. The company warned investors earlier this month that it would not match the results of a year ago.

The poor performance in the

final three months of 1989 was in stark contrast to the previ-ous three-month period, when Delta produced a 33 per cent jump in net income. The car-rier was helped partly by tur-moil at its rival, Eastern Air Lines, which filed for Chapter 11 bankruptcy protection early lest week. last year.

Revenues for the second quarter totalled \$2.05bn compared with \$1.86bn a year ear-

For the first six months of the fiscal year, Delta earned \$3.65 a share compared with \$3.76 in the same period a year ago. Net income for the six months totalled \$197.4m compared with \$185.1m, on revenues of \$4.22bn from \$3.74bn.

Turnover at Euroclear

By Martin Dickson

EUROCLEAR, one of the two international securities clear-ing houses which dominate the Euromarkets, increased turn-over to \$3,358bn last year, up

it said the figures — which give a pointer to the overall level of Euromarkets trading showed volumes increasing across all types of instrument

across all types of instrument and currency.

Euroclear is thought to handle about two thirds of the world's internationally traded securities. It was established in 1968 to deal with the expanding Eurobond market but has branched out into many other areas, including international acuities, and now clears and equities, and now clears and settles transactions in more than 31,000 securities and 27 currencies. It is owned by leading users of the system and operated under contract by Morgan Guaranty.

The value of securities held for Euroclear participants in 1989 was \$782bn, up 28 per cent on the previous year. The num-ber of settlement instructions processed rose nearly 16 per cent to more than 7.7m. Partici-pants in the system increased by 3 per cent to 2,528.

However, the average daily value of loans in the system — a means of putting together lenders and borrowers of securities when an expected delivery of paper is held up — fall 4 per cent to \$2.3bn. Euroclear said this was

because an increase in the efficiency of the settlement sys-tem had reduced the need for borrowing and lending.
Mr Thomas Ketchum, general manager of the system's operations centre, noted that domestic instruments repre-sented 30 per cent of turnover last year, almost double that of 1987.

for first time in 37 years

By Janet Bush

KELLOGG, convenience food producer, has broken a 37-year record of profit increases by reporting a 12.1 per cent fall in net carn-ings for 1989, described by its chief executive officer as a difficult year.

Unaudited net earnings, to a change in accounting practice, totalled \$422.1m against \$480.4m in 1988. Implementation of a new accounting rule meant a oneoff credit of \$48.1m, boosting 1989 earnings to \$470.2m. However, this was still 2.1 per cent below 1988 earnings. Mr William LaMothe, chairman and chief executive officer, said that sales volumes of ready-to-eat cereals continued to run below expectations in

the fourth quarter.
"We experienced a very difficult year and are disap-pointed that, after 37 years of increased earnings, our record was broken," he said. Net sales for 1989 were \$4.65bn, up 7 per cent from \$4.35bn a year ear-

Fourth-quarter earnings totalled \$57.9m or 47 cents a share, down 42.6 per cent from the same quarter a year ear-lier. Fourth-quarter sales were \$1.08bn compared with \$1.09bn in the year-earlier period.

Earnings in the final quarter were depressed by a one-off charge of \$10m relating to the costs of cutting staff and the closure or sale of certain operations and related assets.

President of Doubleday quits

By Alan Friedman In New York

MS Nancy Evans, the 39-year-old president of Doub-leday, the leading US book many's Bertelsmann group, has resigned suddenly after less than three years in the job.

Ms Evans is to be replaced by Mr Stephen Rubin, the publisher and editor-in-chief of edult books at Bantam Books. Her departure comes only two months after Mr Alberto Vitale left his post as chief executive of Doubleday's parent – Bantam Doubleday – to become chairman of Random House, the biggest US book publisher that is controlled by Mr S.I. Newhouse, the media mogul who also owns the Conde' Nast chain of publica-

It was the Italian-born Mr Vitale who hired Ms Evans in 1987 as part of his drive to revitalise the flagging Bantam Doubleday business.

Ms Evans' resignation has fuelled talk in New York pub-lishing circles that Bertels-mann, which bought Doubleday three years ago, is unhappy with the company's profitability,

Hyundai Motor in global issue

HYUNDAI Motor, South

By Martin Dickson

Korea's biggest car maker, is to issue \$70m of bonds with equity warrants on the inter-national capital markets. It is only the second equity Inked international issue by a Korean company. The Issue will be lead managed by CS First Boston, Daiwa Securities and Hyundai Securities.

ACCEPTANCE FORMS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES, NEW CHANGE, LONDON, EC4M 9AA NOT LATER THAN 12.30 P.M. ON WEDNESDAY, 7TH FEBRUARY 1990. OR AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 6TH

OFFER OF CONVERSION TO HOLDERS OF 9₹ per cent CONVERSION STOCK, 2001

TO CONVERT INTO 10 per cent TREASURY STOCK, 2001

Application will be made to the Council of The International Stock Exchange for 10 per cent Treasury Stock, 2001 issued as a result of

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to invite holders of 93 per cent Conversion Stock, 2001 to convert all or part of their holdings into 10 per cent Treasury Stock, 2001 as on 10th February 1990 at the rate of £98.55 nominal of 10 per cent Treasury Stock, 2001 per £100 nominal of 92 per cent Conversion Stock, 2001.

2 Holders who do not wish to convert any part of their holding

Registered holders of 92 per cent Conversion Stock, 2001 at the close of business on 8th January 1990 who exercise the option to convert as on 10th February 1990 will receive the interest payment due on 10th February 1990. Interest at the rate of £5.3973 per £100 nominal of 10 per cent Treasury Stock, 2001 will be paid as on 26th August 1990 in respect of Stock issued as a result of the conversion

Conversion will be into registered stock of 10 per cent Treasury Stock, 2001 which, subject to the provisions contained in this notice, will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectus dated 11th October 1985. Holdings of 92 per cent Conversion Stock, 2001 in respect of which the conversion option is exercised will be surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them except the right to receive the interest payment due on 10th February 1990.

5 Copies of this notice and acceptance forms for completion are being sent by post to holders of 92 per cent Conversion Stock, 2001. In the case of joint accounts, the forms are being sent to the first of the holders whose registered address is in the United Kingdom (or, if none has such an address, to the first-named holder). Holders who wish to convert all or part of their holdings should complete the acceptance form. Stock resulting from this conversion may be added to existing holdings of 10 per cent Treasury Stock, 2001.

Completed acceptance forms with stock certificates must be lodged at the Bank of England, New Issues, New Change, London, EC4M 9AA not later than 12.30 P.M. ON WEDNESDAY, 7TH FEBRUARY 1990, or at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 6TH FEBRUARY 1990. The Bank of England will acknowledge receipt of acceptance

In the case of stockholders who are members of the Central Gilts Office (CGO) Service, completed acceptance forms must be lodged at the Bank of England, Central Gilts Office, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than 12.30 P.M. ON Street, London, EC2R 8EU not later WEDNESDAY, 7TH FEBRUARY 1990.

8 If a holder wishes to convert but cannot obtain an essential signature or document by 7th February 1990, the acceptance form, completed so far as possible, should be lodged in accordance with paragraphs 6 or 7 above, accompanied by a letter from a bank, solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give affect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fax numbers 01-601-3298 or 01-601-5432) quoting brief particulars to identify the account and specifying the amount of 92 per cent Conversion Stock, 2001 to be converted; this should be followed

Arrangements for conversion

8 Up to and including 8th February 1990 holdings in respect of which the conversion option has been exercised will be described on the register as 91 per cent Conversion Stock, 2001 "Assented"; and from 12th February 1990 until 24th July 1990 new holdings of 10 per cent Tressury Stock, 2001 "A". Certificates for the new holdings of 10 per cent Tressury Stock, 2001 "A". Will be issued as soon as possible after 12th February 1990.

10 Up to and including 7th February 1990, CGO account balances in respect of which the conversion option has been exercised will be described as 93 per cent Conversion Stock, 2001 "Assented"; and from 8th February 1990 until 20th July 1990 balances in respect of 10 per cent Treasury Stock, 2001 Issued on conversion will be described as 10 per cent Treasury Stock, 2001 "A".

11 Transfers of 93 per cent Conversion Stock, 2001 for which stock transfer forms are lodged for registration up to 12.30 p.m. on 7th February 1990 will carry the option to convert into 10 per cent Treasury Stock, 2001 as on 10th February 1990. Stock transfer forms will be accepted for certification in respect of 93 per cent Conversion Stock, 2001 until normal deadlines for certification on 7th February 1990 but they will not carry the option to convert unless they are relodged for registration by 12.30 p.m. that day.

Stock transfer forms will be accepted for certification in respect of 93 per cent Conversion Stock, 2001 "Assented" until normal deadlines for certification on 7th February 1990 but they must be relodged by the normal deadlines on that day if registration in the same form is desired. Stock transfer forms in respect of 93 per cent Conversion Stock, 2001 "Assented" lodged for certification on 8th and 9th February 1990 will be certified in that form; on the lodging of such transfers for registration the transferees will be registered as holders of the appropriate amounts of 10 per cent Treasury Stock, 2001 "A". Transfers of 92 per cent Conversion Stock, 2001 "Assented" lodged for registration or certification should be accompanied by the Bank of England's acknowledgement of the receipt of the acceptance form or, if the acknowledgement has been lodged with an earlier transfer of the Stock, by the receipt issued for

The interest due on 26th August 1990 will be paid separately on holdings of the existing 10 per cent Treasury Stock, 2001 and on holdings of 10 per cent Treasury Stock, 2001 "A" at the close of business on 24th July 1990; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of existing holdings of 10 per cent Treasury Stock, 2001 will not be applied to the payment of interest due on 26th August 1990 on holdings of "A" stock.

14 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 93 per cent Conversion Stock, 2001 will be applied to the new holding of 10 per cent Treasury Stock, 2001 "A". Similarly, where instructions have been given by the Inland Revenue authorities for interest on the holding of 97 per cent Conversion Stock, 2001 to be paid without deduction of income tax, the instructions will be applied to the new holding of 10 per cent Treasury Stock, 2001 "A".

Transfers of 10 per cent Treasury Stock, 2001 "A" may be lodged at the Bank of England for registration in that form up to 20th July 1990. After that date, for purposes of certification, the "A" stock will not be distinguished from the existing 10 per cent Treasury Stock. 2001. From the opening of business on 25th July 1990, the "A" stock will be amalgamated on the register with 10 per cent Treasury Stock, 2001. CGO account balances will have been amalgamated from the opening of business on 23rd July 1990.

Her Majesty's Treasury have directed that Section 471 of the Income and Corporation Taxes Act 1988 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities arising from this offer.

Particulars of the issue of 10 per cent Treesury Stock, 2001 The prospectus for 10 per cent Treasury Stock, 2001 dated

11th October 1985 Included the following provisions:— The Stock is an investment falling within Part II of the First Schedule to the Trustee investments Act 1961. The principal of and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 26th February 2001.

Interest is payable half-yearly on 26th February and 26th August. Income tax is deducted from payments of more than £5 per annum, interest warrants are transmitted by post.

The Stock is registered at the Bank of England or at the Bank of Ireland, Belfast, and is transferable. In multiples of one panny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers are free of stemp duty.

Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act

Additional copies of this notice, the particulars of 10 per cent Tressury Stock, 2001 and forms for the acceptance of the conversion offer may be obtained at the New Issues Counter, Bank of England, New Change, London, EC4M 9AA; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU, or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 58N; or at any office of The International Stock Exchange

19 Members of the Central Gilts Office Service may obtain further guidance about the arrangements set out above in relation to their accounts by contacting the Central Gits Office, Bank of England.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 10 per cent Tressury Stock, 2001 s issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither relider any transaction liable to be set aside nor give rise to any claim for

BANK OF ENGLAND LONDON

19th January 1990

Rifts still undermine new BBV chief

Peter Bruce on an urgent need for unity at the big Spanish bank

he Spanish press carried two pieces of banking news on Saturday. The first was that Mr Mariano Rubio, the Governor of the Bank of Spain, named Mr Emihank of spain, named Mr Amilio Yharra y Churruca president of Banco Bilbao Vizcaya (BBV), the country's biggest bank, after its board had been unable for more than a mouth to resolve its leadership crisis.

The second piece of news was that one of BBV's rivals. Banco Santander, increased its deposits between August and November by nearly 60 per cent to Pta587bn (\$5.29bn), 20 times faster than any of its Spanish competitors. The Santander news was

more important. Its decision last summer to offer interest on current accounts marked out the battleground for Spanish banks — namely new retail products and services. Not one of the country's Big Seven has yet struck back.

At BBV this will now be Mr Ybarra's main task. Since Banco de Bilbao and Banco de Vizcaya merged in 1988, analysts have been waiting to see what the fruits of the marriage would be. They were two of the strongest banks in the country; together they should have been

Instead, personal rivalries between Bilbao and Vizcaya executives, most of whom had

studied at the Jesuit Duesto University in Bilbeo, and con-flicting management styles have prevented BBV from being anything more than two institutions stuck together in baste. They have given little to

each other.

The weaknesses came to the fore on December 12 when Mr Pedro Toledo, the former Vizcaya president and, with his Bilbao colleague, Mr Jose Angel Sanchez Asiain, co-president of BBV, died suddenly in the US. The old Vizcaya board – exactly half the BBV board – tried to name a new co-president. tried to name a new co-president. Mr Asiain and his Bilbao team, probably correctly, said the co-presidency was not working and insisted on a single leader.

That row continued until Friday night, when Mr Rubio stepped in. The fact that the leaders of Spain's most presti-gious financial institution, the one dreamed up to lead the country's challenge to big European competitors after 1992, were incapable of agree-ing on how to govern them-selves has stunned locals and the international banking com-

munity alike.

If the past month is any guide, Mr Rubio's solution is far from perfect. Mr Ybarra is a Bilbao man, scion of a wealthy Basque family and BBV's big-gest individual shareholder.

Below him, Mr Rubio appointed a former Vizcaya vice president in charge of banking, regional subsidiaries, banking, regional subsidiaries, consumer services and personnel. A second vice president, Mr Javier Gurpide, from the old Bilbao bank, takes control of BBV's industrial holdings, Banco Commercio, stock broking and asset management and, contrary to Mr Rubio's diktat, the group's insurance companies.

For Vizcaya personnel, that makes it two to one against them at the top and there is no doubt the old concerns of being excluded from power after Mr Toledo's death will linger for as long as it takes Mr Ybarra to prove conclusively that the fears are unfounded.

iven the predominant role old friendships play in Spanish business, that could be a long time. Mr Ybarra, whose family has strong links with both the merged partners, will need to call on all his resources as a conciliator to calm the board.

Mr Rubio's insistence that 10 of BBV's 38 board members leave and that five neutral

Mergers among big Spanish

banks was his idea initially, but he had wanted to take over a weaker bank and proved incapable of dealing with an equally vigorous partner in the form of Vizcaya.

Mr Rubio wanted him to stay but probably knew, as Mr Aslain finally conceded, that

he had to go.

BBV, which has provisionally reported a 20 per cent rise in profits to Ptal45bn for last year, starts operations today for the first time as a truly single bank. Whether it will be a good one remains to be seen. The omens are not happy. If the challenges of an open

European market after 1992 are

as important as the bank's leaders always claim, then they have lost 18 months through infighting and publicly badmouthing each other. The only crucial advantage Spanish banks have over their European rivals is in local retail banking. Fee-earning business are new and the for-eign competition is only just

The costs of holding on to Spanish executives capable of making headway in new businesses is enormous. And as Banco Santander is demon-strating, the old retail customdirectors be appointed might help, as might the resignation of Mr Asiain as the surviving ers - or at least the ones with any money - are in no mood to wait for their banks to catch up with the times.

getting started.

ROWNTREE MACKINTOSH S.A. (NESTLE GROUP)

has sold

SOGECO S.A.

the Holding Company of the Group **CANDICE MARTIAL** DE NEUVILLE S.A.

ROWNTREE MACKINTOSH S.A. has been advised by

BANEXI

PERUGINA S.R.L. (NESTLE GROUP)

has sold

CHOCOLAT BOUQUET D'OR S.A.

has been advised by

PERUGINA S.R.L.

BANEXI

oration

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bush initiates a policy tug-of-war

IF President George Bush really wants the Federal Reserve to ease its credit policy then he is going about sec-uring this goal in the most peculiar way.

Last week the White House twice broke with its general rule of not criticising Fed policy, and the consensus view on Wall Street was a mixture of

mirth and bewilderment. "We aren't trying to tell the Fed what to do," said Mr Marlin Fitzwater, the White House spokesman, "but we have always said we would like

lower interest rates."

And if anyone was left in doubt, he added that a 0.4 per cent rise in the Consumer Price Index (CPI) for December indicates inflation is low and under control."

Mr Fitzwater, a jovial holdover from the Reagan era who likes to collect hats in his spare time, was jawboning on Thursday following marketmoving statements from a couple of influential Fed governors.

These were taken by the market to mean they would not support further easing in monetary conditions.

But given the market's behaviour on Thursday, Mr Fitzwater might just as well have been talking through one

of his many hats. Mr Manuel Johnson, vice chairman of the Fed, and Mr Wayne Angell, a plain-spoken governor, were both quoted ast Thursday as indicating they did not fear recession so much as a rise in inflation which, at 4.6 per cent, is still

stubbornly high. The effect of their remarks, which imply that there will be no easing of Fed policies at the next Open Market Committee meeting on February 6, sent the benchmark 30-year Treasury bond down sharply by 14 point, producing a yield of 8.34 per cent, the highest since

June of last year. The bonds, clearly oversold, recovered a little ground in Friday trading, to close & higher at 98 and yielding 8.30 per cent. However, this was at least partly the result of a

decline in Japanese yields.

Mr Bush jumped into the fray on Friday, telling an audience of housebuilders in Atlanta that mortgage rates of 10 per cent, and interest rates generally, had to be reduced to spur the economy.

The tug-of-war between the President and the Fed continued in Chicago, where an irritated Mr Angell was even more explicit in his determination not to ease Fed credit policy.

"Good monetary policy, Mr President, will give you the low interest rates you eventu-ally want to see," he declared. Mr David Hale, chief economist at Kemper Financial Ser-

vices, summed up the senti-ment of many by terming the President's outburst "counter-After all, it was Mr Alan Greenspan, Fed chairman, who

last year pointed out on Capi-tol Hill that jawboning by the Administration for lower rates could well have the effect of forcing the Fed to postpone any moves to ease rates in order to preserve the market's faith in its independence. At Nikko Securities in New

York, chief economist Mr Robert Brusca said that if the President wanted to speak with the Fed he should have a breakfast meeting and do so in

In last week's tug-of-war, quipped Mr Brusca, the Bush Administration apparently forgot that the Fed has the ability to cut the rope and let the President fall on his poste-

The bond market

from Genesis to Revelations

1990

Bond

Manual

International

AJBD (Systems and Information) Ltd., Seven Limeharbour, Landon E14 9NO. Telephone: 01-538 5656 Fax: 01-538 4902.

The clash, of course, high-lights the continuing US debate about the general state of the economy. After a 2.9 per cent growth rate in the third quarter, most estimates sug-gest the economy will have grown by only about 0.5 per cent in the last quarter of 1989 and will grow by less than 1 per cent in the first three months of this year.

Is a recession coming? Perhaps not, but certainly there are pockets of recession, most notably in a few key manufac-turing sectors and in housing. And as the corporate results season got under way last week the profits trend was looking distinctly lacklustre.

A most unusual outburst was heard from Caterpillar, the leading construction machinery maker, which forecast an outright recession and went out of its way to blame the Fed for the difficult conditions faced by US industry. In the aerospace industry, which should mirror US strength, Boeing said it was to lay off

5,000 workers.
Fedwatchers in the bond market believe the consensus view at the Fed is that the economy may be bottoming out and that the risk of higher inflation is now greater than that of recession.

	Last Friday	i verti. ago	4 415	12-month High	12-month Low
Fed Fands (weekly average)	8 13 7.99 7.99 8.12 8.20 8.10	113 772	8.50 7.88	9.92 Q.L	8.00 7.20 7.18
Paree-crowth Treasury bills	7.99	7 82 8 12	7,78 8,40	9.37 10.35	7.38
Perce-month prime CDs 30-day Commercial Paper 30-day Commercial Paper	8.20	N 10 8.03	B.65	9.95	8.05
us bond fri	CES A	ND Y	IELDS	(%)	
	Fri.	Charge on wit	Yield	A STATE	4 ek.
Seren-year Transcry	98% 108%	-34	8.20 8.37	8.06	7.50 7.94
O-year Treasury	48 H	13	827	8.25 8.17	7.94
		So	urca: Sak	mon Broe	estimates.
Money supply: In the week ended J	ianyart ê	, seasons	ully adjus	ned M1 le	ii \$11.7b
MRI TOKY	O BC	ND IN	DEX		
-			GIMANCE	NDEX	
Describer (VIII - UIII		Average yield	Last	12 wig	25 w/s
	18/1/90	(%)	wack	age	390

-									
December 1981 - 100	18/1/90	Average yield (%)	Last. Week	12 wig age	25 w/s ago				
Organia.	143.47	6.83	1/5.65	140 67	148.80				
Government Bonds Municipal Bonds Gover-quarasteed Bonds Basic Debenture: Carporate Sould: Yan-dengan, Foreign Bonds	141.66 144.69 147.01 140.01 148.03 153.34	6.69 6.96 6.96 6.66 7.00	144.58 146.63 148.63 140.34 150.09 156.27	149.39 151.17 142.69 151.69 157.50	140 T 150 M 151 M 142 7 151 M				
Coversions, 10-years	6.26		6.01	5.30	5.07				

Having steepened markedly the previous week, the yield curve's flattening out last week - to an 11 basis point differential between the two-year and 30-year Treasury bonds - may suggest the market is more sanguine about the Fed laying

Mr Bush and his political advisers, meanwhile, want to avoid anything resembling recession ahead of this Novem-ber's mid-term Congressional elections. Hence the rather demagogic Fed-bashing antics of last week.

greater stress on fighting infla-

The Administration's pressure on the Fed will almost certainly backfire in the short term, thus putting off an easing of credit policies to the FOMC meeting of March 27 at the earliest. There is far more to extending the business cycle than the occasional presiden-

While the skirmish in Washington grabbed headlines at the end of the week, almost everyone forgot the melodramatic corporate bankruptcy of last Monday.

This was the long-awaited filing of Chapter 11 for Mr Rob-ert Campeau's Federated Department Stores and Allied Stores, the retail chains burdened by a combined debt of \$7.5bn, more than a quarter of it built on high-yielding junk

Junk bond junkies had already done their worst how-ever: the market had discounted the Campeau crisis so well that few significant price falls occurred.

One exception was Ralph's Grocery, a healthy subsidiary of the Toronto-based Campeau Corporation, which may pay for the financial follies at Federated and Allled.

Fears that Ralph's may end up having to shoulder the heavy tax liabilities of Federated and Allied sent the grocery chain's 14 per cent senior subordinated debentures tumbling five points on Friday to close at 81 – and this only a week after the bonds had been trading at 97.
All in all it is becoming

harder to say which was the greater bonfire, the political vanity of Mr Bush or the come-uppance of the junk bond

boys. The 1990s are under way. Alan Friedman

To the Holders of Floating Rate Notes of

CYDSA, S.A.

Due 1988-1991: PLEASE TAKE NOTICE, that CYDSA, S.A., a corporation organised and existing under the laws of the United Mexican States, intends to offer pursuant to an Offer Letter dated January 22, 1990, to redeem the U.S. \$25,000,000 Floating Rate Notes

due 1986-1991 and issued pur-suant to a First Supplemental

1985 between CYDSA, S.A. and

First Interstate Trust Company of New York, as Successor Trustee,

Sapplemental Indenture dated as of August 30, 1985 and a Third Supplemental Indenture dated as

Offer (once it is made), the Form of Acceptance should be executed and delivered in accordance with the instructions in paragraph 3 of the Offer Letter on or before

obtain a copy of the Offer Letter on January 22, 1990 from Royal Bank of Canada, London, 71 Queen Victoria Street, London, England EC4V 4DE, attn: Agency Department or First Inte Trust Company of New York, One Exchange Plaza, 55 Broadway -4th Floor, New York, New York

Cydsa

UK GILTS

Poor data push yields toward 11%

THE gilt-edged market showed signs of its old self last week, reacting like a shock absorber to poor economic data. Yields on long-dated gilts hit 10.91 per cent and the market ended the week with the distinct feeling that 11 per cent might be breached before lower yields

A combination of technical and economic factors explain the weakness of the market. Thursday's earnings figures were disappointing for what they showed about whole econ omy productivity and unit costs in the third quarter of

last year. Since the beginning of 1987 unit costs in the UK have nearly trebled while productiv-ity growth has fallen from 3.2 per cent to just 0.6 per cent. Margins will have to be squeezed further, prices must rise, or employers will have to

cut manning levels.
Signs are that all three are happening. The 17,100 fall in seasonally-adjusted unemployment in December was encour-aging. But it will probably take months before figures begin to show a rise in unemployment and that will be too late to affect the outcome of the current wage round.

Industry will soon be looking to increase prices, if past prac-tice is followed. The underly-ing rate of inflation, currently 6.1 per cent, may edge up. The other key figure released

last week was the public sector borrowing requirement for

December. This raised doubts about the Treasury's ability to achieve its revised PSBR surplus of £12.5bn this financial year. The surplus in the first nine months was just £3.7bn, leaving £8.8bn to be racked up in the January to March period.

There has been a surplus in the first quarter of every year since 1985, the highest being £5.8bn in 1989. Not too many in the market think the surplus will be 50 per cent higher this quarter than it was a year ago. The PSBR is composed of three elements: the Govern-ment's own borrowing needs,

the central government bor-rowing requirement, CGBR(O); the local authorities' borrowing requirement; and the public corporations' borrowing requirement. All three deteriorated to much the same extent during the April to December period last year.

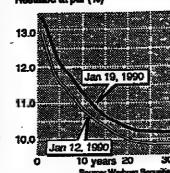
The CGBR(O) was adrift by \$3.4bn, the PCBR by \$1.5bn and

the LABR by just £200m. The reason for the overshoot has little to do with revenue. In the cial year, inland revenue receipts were 15 per cent ahead of the same period in 1988/89 while customs and excise eccipts were 6.5 per cent

Corporation tax receipts are expected to be huge in January, as the Bank of England's closs to Friday's money numbers underlines.

Increased spending is the main reason for the overshoot

UK gilts yields Restated at par (%)



of the CGBR(O). It has been affected by the take-up of per-sonal pensions, which the Treasury expects will reduce the surplus on the CGBR(O) and hence increase the PSBR by £2.7bn in the current year. The "Green Dowry" for the water utilities cost £1.6bn. There have been increased payments to the EC.

The next most important overshoot has been by public corporations. In the first nine months of 1988/89 they had repaid 21.2bn of debt; in the same period this year they borrowed £300m — a turnround of £1.5bn. This move into deficit is consistent with what is happening in private industry. which has a huge borrowing requirement, and will probably continue.

The LABR was expected to be influenced by "exceptionally high levels of gross capital expenditure, to quote from the Autumn Statement. So far

this has been small. The local authorities have repaid \$460m of debt against £650m for the same period in 1988/89. But their borrowing shot up in December and it is possible this might stay buoyant, and even turn to a fullyear deficit, as they raise funds ahead of new and tighter capital spending guidelines due in

April All of the above factors more than explain why the PSBR is larger today than it was a year ago. Few would appear to be permanent or reflect slower economic growth, with the possible exception of the PCBR.

The local authorities come

under tighter control in April the Green Dowry was a one off and personal pension take-up may not be as large in the future as it has been.

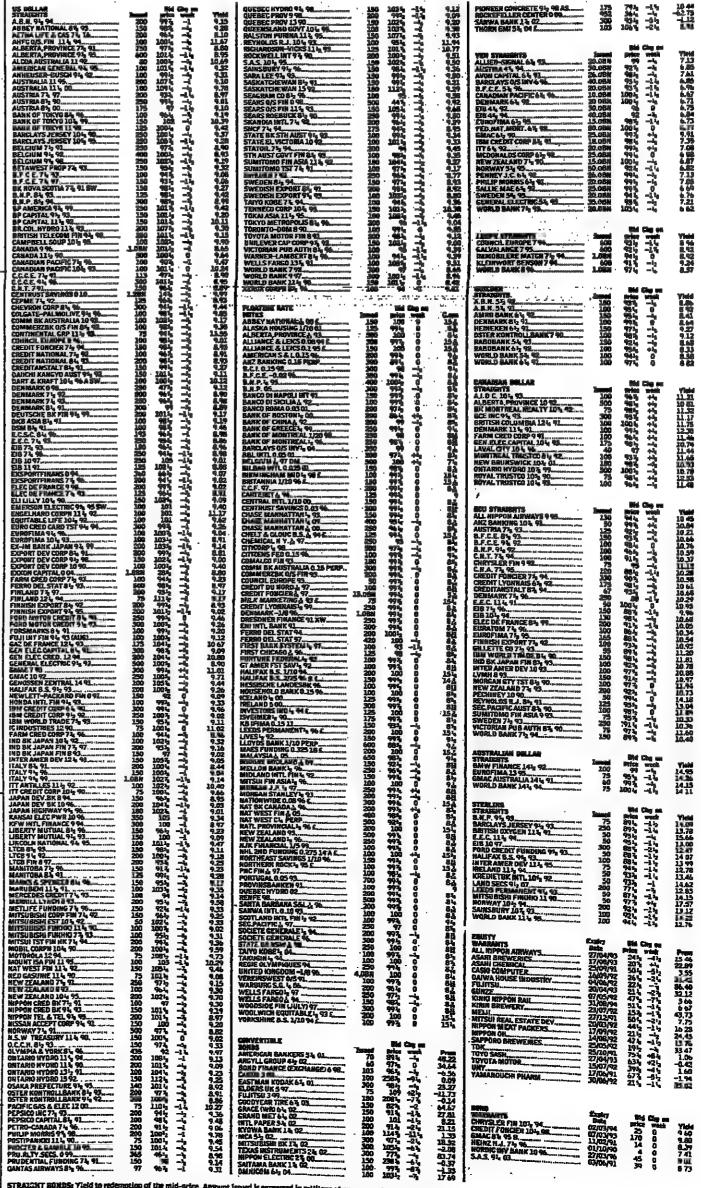
The above factors are probably strong enough to override buoyant revenue growth. By the end of February the PSBR could well be showing a sur-plus or £12bn or more. But March is historically a

strong deficit month, which could leave the PSBR registering a surplus of £10bn or less.

The current numbers appear
to be of dubious value in looking to 1990/91. The market is figuring that the 1990/91 sur-plus will be the 1989/90 result minus X. It may be surprised.

Simon Holberton

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FINANCIAL TIMES

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CIVAS 9 LIWITED U.S.\$60,000,000 iting Rate Notes due 1993

Interest Rate 5,43% p.a Interest Period January 16, 1990 to July 13, 1990 Interest Payable per US\$100,000 Note US\$4,197.83. January 22, 1990, London By Citicank, N.A., ICSSI Dept.), Agent Bai

STRAIGHT BOXDS: Yield to redemption of the mid-price. Amount issued is expressed in midlions of currency units except for Yeo bonds, where it is in billions.

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Closing prices on JANUARY 19

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Ashes to ashes at Dominion International

Clay Harris explains why the group's shareholders are unlikely to recover any of their investment

HE APPOINTMENT of an administrator at Dominion International, due to be made officially today, means the financial services four men stand to be more to b and property company will soon be dead in its present

Among the certain losers are Dominion's shareholders who are unlikely to recover any of their investment

100 miles 100 miles

As recently as September 21, when Dominion shares were suspended at 52p, the company was valued at £36.5m. But Mr Carl Openshaw, who was appointed managing director last summer, said yesterday: "What is absolutely clear is there will be nothing for share-holders."

Having despaired of finding any other way out, Dominion's resignation-depleted board is backing the request by Royal Bank of Scotland, the company's lead bank, for an admin-istrator to be appointed. Administration a step short of receivership, allows creditors to protect their position without jeopardising the survival of profitable operations.

Royal Bank opted for administration after rejecting a pro-posed rescue package sup-ported by investors speaking for about 20 per cent of Domin-ion's shares. Two of those shareholders, former Dominion director Mr Rupert Galliers-Prait and Mr Roy Richardson, said yesterday they would wel-come investigations of the company's affairs by the Serious Fraud Office and the Department of Trade and

With their respective brothers, Mr Galliers-Pratt and Mr Richardson said they were

A REFINANCING package has been arranged for United News Shops, a chain of 271 news-agents bought out from United

Newspapers in 1987 for

Paul Appell, founders of the

Poundstretcher chain of dis-

count stores, who left when the

outlets were sold by Lowndes

Queenaway to Brown & Jack-

son last year, have taken a near 50 per cent stake in the

company and have been

Mr Stephen Fearnley and Mr

By Maggle Urry

Refinancing arranged

for United News Shops

than £10m from Dominion's

demise.

Dominion will now inevitably he broken up - with buy-ers being sought for profitable subsidiaries such as Transna-tional, a US-based small-ticket leasing company, and Film Finances, world leader in providing completion guarantees for cinema and television productions. But the effort to assign blame for its collapse is only just beginning. It will be scant consolation

for the prospect of losing their money, but Dominion's share-holders are now likely to be s are now likely to be treated to a spectacle of mutual finger-pointing not seen in a UK company for a

long time.
At the centre of the controversy, but no longer of the company itself, is Mr Max Lew-insohn, creator of Dominion in its present form from the ashes of Dundee Crematorium, a company which had a market value of £200,000 when he

bought control in 1974. Under fire from influential sharebolders and some former directors, Mr Lewinsohn resigned hours before Dominion's annual meeting in August. Within six weeks, Dominion's shares were suspended and the company was forced, at the last minute, to cancel its final dividend because it lacked distributable

The case against Mr Lewinsom rests on the last third of his 15-year stewardship, a

appointed chairman and dep-

nty chairman respectively.
The refinancing, arranged by

Phildrew Centures, involved

institutions who originally backed the deal cutting their

equity interest from 85 per cent.

to 50 per cent and putting in more capital, and the banks rescheduling debt

repayments.

Mr Fearnley and Mr Appell also put capital in. The company is now capitalised at ESS.



Max Lewinsohn, second left, argues that difficulties were due to a change of direction after he left

on its partial disposal of a strike in USM-traded Southwest Resources; and taking a £1m charge against its \$4m (£2.4m)

exposure to Chartwell, a pro-posed residential property development in South Caro-

Large questions also remain

over the future of Dominion

Beach, a luxury development on Spain's Costa del Sol. Alto-

gether, the company's debt,

including off-balance sheet bor-

In reply, Mr Lewinsohn argues that the difficulties which have come to light in

the past few months are a

result of the abrupt change of

direction after his departure -

the decision to drop a proposed

businesses for a total of

The deals will make the com-

peny the world's largest sup-plier of aerosol filling equip-

ment and launch it into the

manufacture of machines for pressing and coating tablets for

the pharmaceuticals industry.
The transactions will be funded by issuing £19.8m of

new Wehmiller shares.

These have been placed for cash at 280p with institutions, but are subject to an open offer made to all shareholders by

Hill Samuel. The surplus will

Melville Engineering, the

engineering arm of Melville Group, was bought for 29m, satisfied by an allotment of 3.2m new shares.

The second acquisition was Manesty Machines, the chain and gear manufacturing sub-sidiary of Renold - purchased

added to group

By David Owen

BARRY

L16.05m.

Wehmiller buys three

BARRY WEHMILLER for £6.75m satisfied by 2.4m International, the specialist packaging machinery group, has acquired three diverse UK.

Manesty is a leading manufacturer of tablet pressing and

businesses for £16m

rowings, exceeds £100m.

badly burned by oil invest-ments and struck out with a series of ventures in financial services and property, several of which have gone badly

Dominion on Friday amnounced provisions of nearly film, to raise the total written film, to raise the total written off over the past five years to \$46m Mr Openshaw yesterday described this as "purely prudent accounting, reflecting that the asset values just aren't there."

It is slashing to £700,000 the carried value of its £5.7m investment in Intex, a proposed automated futures exchange; writing off fAm' against losses on its oil interests, mainly through the loss

Sutherland

shares fall on

loss warning

Shares in Sutherland Holdings, USM-quoted food processor, dropped from 46p to 36p last Friday after the com-pany warned it would show a small loss before tax for the year to October 31, writes Vaness Houlder.

The company, which is a major user of pork and beef, blamed increased raw material

costs. The warning was made

because of a suspected infor-omtion lank. A full statement will be made on Thursday

when the results are released

dence among Dominion's bank-The main dispute, however, is not between Mr Lewinsohn

and new management led by Mr Openshaw. His principal detractors are Mr Roy Richardson and his twin Don, the West Midlands property developers, and another set of brothers, Mr Rupert Galliers-Pratt and Mr Nigel Cayzer. The four men had been trying since November 1988 to remove Mr Lewin-

The Richardsons bought into Dominion on a stockbroker's recommendation and on the strength of its dividend yield and possible hidden property assets. "With hindsight, not we know why it was such a good dividend," Mr Roy Richardson said yesterday. Mr Galliers Pratt and Mr

Cayzer got their shares when Dominion bought Film Finances from them in May 1988. Although still on the Dominion board, they joined forces with the Richardsons in November 1988 to lobby institutions in an unsuccessful attempt to remove Mr Lewinsohn. That initiative was headed off, in part by Mr Lew insohn's agreement to swap places with Lord Barnett, the former Labour minister, who was then deputy chairman. Lord Barnett subsequently

resigned as chairman in November 1989, Institutions' willingness to remain loyal to Mr Lewinsohn in the autumn of 1988 was understandable. For most of his tenure. Dominion had been a star performer. And only a

Manesty is a leading manufacturer of tablet pressing and coating machinery.

The third acquisition, Hills

of Hull, manufacturer of bottl-ing and rinsing machines, was acquired for £300,000 in cash.

The company, into which Web-

miller is to inject between 2650,000 and 2700,000 of work-

ing capital, boasts turnover of some \$2.1m.

Mecca Leisure

Mecca Leisure has raised \$30m.

mont Club casino in Mayfair to the Bally Manufacturing Cor-

poration, a US leisure concern.

The transaction takes Mecca half-way to achieving the aim of shedding both its London

gaming houses, where profit-ability has deteriorated. The assets being sold have a book

£30m sale

value of £24.5m.

few months previously, analysts and others had returned disposal for cash and allied acquisition for shares - and the subsequent blow to confifrom a presentation in Spain with the clear impression that Dominion was expecting to report pre-tax profits of £12m in the year to March 31 1989. Their change of view about Mr

Lewinsohn when the total emerged at only £5.44m is also understandable. On the Dominion board itself, November 1988 was a point of no return. Mr Cayzer and Mr Galliers-Pratt offered to buy back Film Finances in Feb ruary last year. Mr Lewinsohn rejected the offer and then sacked Mr Cayzer from his executive position at Film Finances. Mr Cayzer and his

brother left the Dominion board last July.
At about the same time, Mr Openshaw - formerly execu-tive director at Guthrie - was appointed as managing director. This was intended. Mr Lewinsohn says, to pre-empt further criticism from the two sets of brothers. "It was an agreed compromise to insure that there wasn't continued internal strife."

Mr Openshaw's first task was to undertake an internal review of the company's posi-tion, an exercise which ulti-mately and reluctantly led to administration.

Mr Lewinsohn maintains

that if the proposed disposal of Film Finances for cash to its post-Cayzer management had been allowed to proceed, along with the linked mostly-paper acquisition of York Associates, a US mortgage services com-pany, Dominion would have been able to pay its dividend and would still be affoat.

His disputants argue that, at best, the deals would have only delayed the day of reckoning "I think, unfortunately, the company is beyond repair," Mr Galliers-Pratt said yesterday. "The last moment we could have salvaged something was about a year ago."

Lovell may sell 10% of Higgs after bid failure

a 10 per cent holding in Higgs and Hill following the failure of its £167m hostile takeover bid for the competitor in the housing and construction industry.

The disposal became the

most likely option when it was announced on Saturday after-noon that Lovell could claim only acceptances for 34.8 per cent of Higgs.

The Takeover Panel is this week expected to explain why it rejected an attempt by Lovell to alter the takeover rules in the final stages of the takeover.

Lazard Brothers, the merchant bank advising Lovell, won approval on Thursday from the Panel's executive for at least two institutions to pledge support for the bid but have their shares included in acceptances only if the take-

over was successful.
This was seen as an attempt by institutions to retain their anonymity and therefore not

YJ LOVELL is expected to sell a 10 per cent holding in Higgs Hill, the decision was overruled. The merchant bank argued, in part, that such an alteration would give institutions advantages over smaller shareholders.

Lovell's stake has attracted the interest of several institutions and Higgs would be likely to assist in breaking-up and placing the stake.

Lovell is barred under the City Code from launching another bid for 12 months, meaning that the holding costs for the stake would add signifi-cantly to the the company's interest charge in the next financial year.

The bidder purchased a 5 per cent holding last week at 450p a share which raised sharply the average price paid for the shares. Higgs shares closed down 5p at 408p on Friday. The shares directly owned

by or associated with Mr John Adams, the former Higgs deputy chairman who defected appear to be disloyal.

However, after an appeal to the full panel by Schroder

and supported the offer, account for up to a third of total acceptances.

De Haans 300p offer to take Saga private gives £54.3m value

THE De Haan family is planning to return the Saga Group to private ownership 12 years after it floated the holiday group. It is making a 300p per share recommended offer which values the company at

The De Haans, who already own 63 per cent of the com-pany's equity, said they had

approached Saga in December prompting a sharp rise in the company's share price. Last Friday the shares were unchanged at 294p, compared with the offer price of 300p. Saga made a pre-tax profit

forecast of £4.1m for the year ended January 1990, which was well below market expecta-

Reject Shop into the red

REJECT SHOP, the USM-quoted household goods retailer, alid £255,000 into the red for the six months ended October 1 after high interest rates had caused a slow-down in furniture sales. In the same period of 1988 the company returned profits of £227,000.
Static turnover of £7.49m buoyed by contributions from

niture. The company estimated that

BOARD MEETINGS

three new stores, masked a fall of 17 per cent on a like-for-like basis. Of this decline, 75 per cent was accounted for by fur-

pre-tax profits for the full year would be more than halved to The interim dividend is being held at 1.05p.

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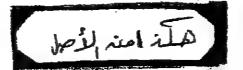
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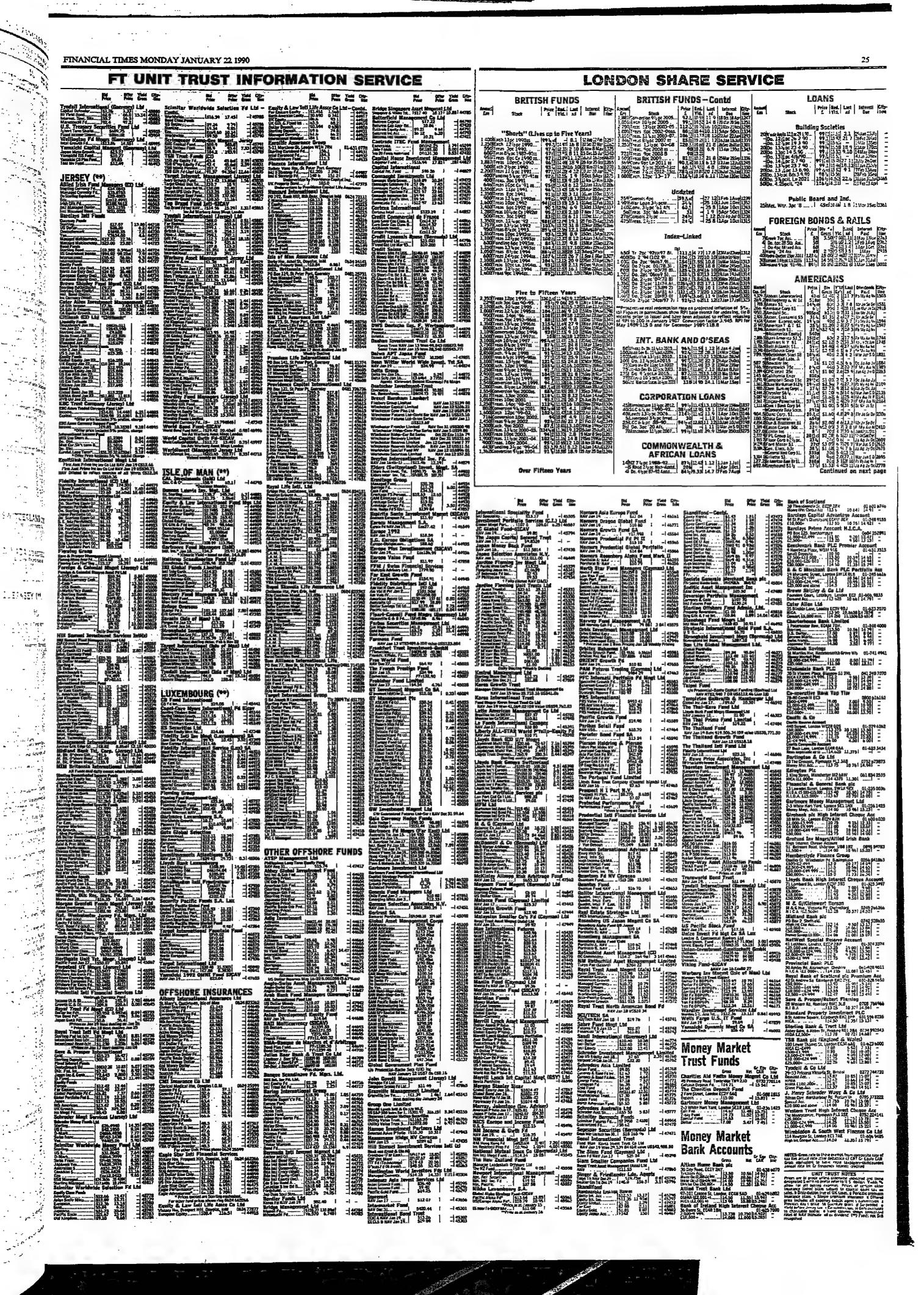
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CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND								
Jan 19	Day's spread	Close	One month	PA.	Three months	% %		
i5 apada letherlands	1 6365 - 1.6475 1.9215 - 1.9450 3 1517 - 3 17 14 58 70 - 59 10	16465 - 16475 19440 - 19450 3 15½ - 3 16½ 58 85 - 58,95	0.93-0.91cpm 0.49-0.40cpm 1.12-1.7cpm 24-21cpm	6.70 2.75 6.41 4.58	2.56-2.63pm 1.49-1.32pm 4.3-23pm 69-63pm	6. 2. 5.		
leigium Jermark reiand V. Germany	10.87% - 10.92% 10.80% - 1.0703 2.80% - 2.82	10.89 - 10.90 1.0595 - 1.0605 2.801 ₂ - 2.81	2%-2% orepm 0.35-0.30 ppm 1%-1% of pm	3.03 3.68 7.21	8%-84pm 0%-086pm 4%-45pm	3 6.		
orwgai gain aiy lorwsy	246 50 - 248 30 181 95 - 182 85 20854 - 2100 10.81 - 10 844	246.50 - 247.50 181.95 - 182.75 20884 - 20894 10.834 - 10.844	5-40cd/s 7-1ccom 5-4/irepm 3%-34-orepm	0.25 0.03 0.74	94-17रितांत 18-59त्त् 13-11pm १५-१ ¹ 30क	e U		
73BC2 48081	9.53 - 9.59 10.201 ₇ - 10.25 239 - 2401 ₇	9 53 - 9 54 10 22 4 - 10 23 4 239 4 - 240 4	34-34 cpm 24-24 crepm 14-14 vom	4 40 2 93 8.45	95-95թա 65-65թա 45-45թա	3. 4. 2. Ti		
estria estreriand CU	1980 - 1989 2484 - 2544 13800 - 13840	1980 - 1983 2484 - 2494 13800 - 13810	12 4-11 4 grocus 14-1 4 com 0 48-0 45 com	7.12 5.72	344-304pm 34-34pm 1.29-1.24pm	6. 5.		

Commercial rates taken towards the end of London trading. Beiglan rate is e 58 85-58,95 Six-month forward dollar 5.16-5 11cpm 12 months 9.28-9 18cpi

MONEY MARKETS

Of politics and interest rates

POLITICAL EVENTS and interest rates are attracting attention right now. The sound of gun fire leads to a rush to buy dollars as a safe haven, and the mere uncertainty about events in the Soviet Union is enough to support the US currency at the expense of the D-Mark.

UK clearing bank base lending rate 15 per cent from October 5

The threat of higher interest rates remains in Europe and Japan, and at the same time the prospects of lower US rates may have diminished after two Federal Reserve Board officials indicated their opposition to

such a move. Fear of rising world inflation is of concern to several major central banks around the world. Strong West German economic growth and the threat of inflationary wage

E IN NEW YORK								
Jan 19	Class	Previous Close						
Spet	1.6450-1.6460 0.93-0.92m	1.6435-1.6445 0.94-0.950m						

3 months 2.66-2.63pm 2.70-2.67pm 12 reports 9.30-9.20pm 9.30-9.20pm

Forward premiums and discourts apply to the US deli								
		Jan. 19	Previous					
9.00 10.00 11.00 Mean		88.1 88.3 88.3 88.2	87.7 87.9 87.8 87.8					

CURRENCY RATES

Jan.19	Bank rata %	Special* Discrete Rights	European Corrency Unit.
Italian Liru Japanese Yen Norway Krone Spanish Peseta Swedish Krona Swiss Franc Greel Drack Irlah Post	2012	1.25115 1.31447 1.32938 15.7421 46.718 8.65417 2.21512 2.51954 7.50764 1664.25 191.387 8.61109 184.213	1 36112 1 18706 1 13706 1 4 3446 4 2 6337 7 86516 2 03774 2 22543 1 516.49 173.432 7 82759 1 32 015 7 38600 1 80911 189 826 0 .767838
A Sterling quote Emmoran Come All SDR rates	middlinn (>imigtions	EGU.PR L

settlements could prompt higher interest rates from the Bundesbank, while the president of the Swiss National Bank has said that the Swiss franc is at a critical low and

rates will remain high.

It may be only a matter of time before the Bank of Japan increases its discount rate again. The yen has been very weak lately, but next month's elections to the Japanese lower house make a rate rise unlikely until March.

Encouraging French trade figures last week contributed to an easing of pressure on the French franc and a decline in Paris interest rates. On the other hand, if German rates rise it is hard to see how France could avoid a similar

Last week's batch of UK economic news was mixed, allowing the UK authorities to temporarily weather the interest rate storm, but the biggest hurdle is yet to come with Friday's trade figures.

Jan.19		Bank of England Joseph	Guaranty Changes %
Starting U.S Doltar Canadian Dolta Austrian Schill Belgian Franc Dautsche Mark Seise Franc Guilder Franc Lina Yen Yen		67.8 103.2 109.3 109.7 108.8 118.5 108.7 114.6 103.3 99.9	+23.2 +10.6 +1.1 +12.0 -3.5 +3.3 +24.9 +16.8 +16.5 -12.7
Morgan G	uaramy unk of Ex	gland indi	average 1980- ex (Base Average
OTHER Jan 19	CUI	RHEM	
Jan.19 Argentina 2 Asstralis 2 Brazil 2 Finland 2 Greec 4 Hong Kong 1	1 CU1 916.85 - 3 2 0740 - 2 2 8845 - 2 8500 - 6 860.05 - 2 2 8365 - 1 15 40	000_30 1. 0760 1 3.0515 1 6275 4 64.58 2	\$ 73.00-1025.00 .3610-1.2620 .9264-13.9995 .0154-4 0200 58.45-161.00 .8080-7.8100 4 30°

S. At (Cas) S. At (Fa) Talvan U.A.E.	3.0750 4 2155 5 3346 42 55 6.0230	1.2245 1.6240	1.8720 - 2.5700 - 3.3670 - 25.90 - 3.6720 -	ユ5 と と
		ing rate		
POUKD-\$ (CHAHGE		
\$00L 1.6470	1-mm. 1.6578	3-mil. 16206	6-mth. 1.5957	12 1
IMM-STER	DG S per :			
Mar	Cless 1 6296	High 1 6 126	Low	٠,
Jon See	1.6036	1.6064	1,540	Ĩ

INTERNATIONAL SETTLEMENT & GLOBAL **CUSTODY**

The Financial Times proposes to publish this survey on:

13th MARCH 1990

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EDWARD MACQUISTEN on 01-873 3688

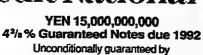
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FINANCIAL TIMES

Notice to the Holders of

Crédit National (N



The Republic of France Notice is hereby given that pursuant to Paragraph 4 (b) (ii) of the Notes, the holder of any of the above Notes will have the option to have such Note redeemed by Credit National at par on May 11, 1990.

To exercise such option, the holder must deposit such Note to be redeemed (together with all unmatured coupons appertaining thereto and together with a duly completed request for redemption in the form available from any Paying Agent) with the Fiscal Agent or the Paying Agent, at the addresses mentioned on the Notes, at any time between February 26, 1990 and March 12, 1990 (both dates inclusive).

Any Note so deposited may not be withdrawn without the prior consent of Crédit National.

Luxembourg, January 22, 1990

The Fiscal Agent **KREDIETBANK** S.A. LUXEMBOURGEOISE

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR Jan 19 2.66-2.63pm 1.38-1.28pm 1.02-1.10be 0.27-6.32db 16.50-20.50db 5.40-6.90db 0.64-0.01pm 315-35db 12.00-13.50db 2.00-13.50db 3.55-3.70db 3.55-3.70db 3.55-3.70db 3.55-3.70db 0.50-0.47pm 0.50db, 1.40pm 0.42-0.47db 0.42-0.47db 0.43-0.42db 1525 - 15535 1985 - 1986 1985 - 1986 35.65 - 35.95 594 - 6.65 17000 - 17190 1268 - 12784 6.574 - 6.05 1.764 - 5.034 6.191 - 6.21 12655 - 14.45 12.054 - 12.094 1.1850 - 1.1955

EXCHANGE CROSS RATES										
la lat	E	5	DM	Yes	F Fr	S Fr.	∦ F1.	Lira	CS	176
ŝ	0.607	1647 1	2.908 1.705	239 8 145 6	9.535 5.789	2.493 1.514	3.160 1.919	2099 1268	1.945 1.181	58.90 35.76
DM	0 356	0.587	11.71	85.40	3.3%	0.889	1.125	743.9	0.693	20.98
YEN	1170	6.868		1000.	39.76	10.40	13.18	8711	8.111	245.6
F Fr	1.049	1 727	2.945	251.5	10	2415	3.314	2191	2.040	81.77
S Fr.	0.401	0.661	1.126	% 19	3.825	1	1.268	837.9	0.780	23.63
ij Fl.	0.37±	0.521	0.889	75.89	3.017	0.789	1	661.1	0.616	18.64
Liga	0.479	0.788	1.344	114 B	4.564	1.193	1513	1000.	0.931	28.20
C.S	0.514	0 847	1.444	1233	4,902	1 282	1.625	1074	1	30.28
B.Fr.	1.598	2.796	4.767	407.1	16 19	4.233	5.365	3547	3.302	100.

EURO-CURRENCY INTEREST RATES								
Jan 19	Short, term	7 Days equice	Gae Monta	Three Months	Six Mares	One Year		
Steriles US Dollar Can Dollar Can Dollar D Gatkler Se, Franc Deutschmark FF Franc B, Fr (Fin) B, Fr (Fin) B Fr (Can) Yen D Kront Belan SSing	15-14% 82-832 11%-11% 83-94 92-94 104-104 10-10 10-10 51-53 12-11 81-84	15 (-8) 1 1 1 1 1 1 1 1 1 1	15;2-83;8 83;83; 12:11:5;8 81;83;9 93;7-10;2 10;2-10;3 10;2-10;3 63;4-63;3 64;4-83;4 83;8	153-154 84-84 111-118 85-87 94-94 81-11-124 114-124 104-104 74-7 124-12 84-84	15-5-15-4 8-8-8-4 112-112-112-12-12-12-12-12-12-12-12-12-1	151-151 84-84 114-114 91-94 84-84 114-114 131-11 101-103 71-74 118-118		

Long term Eurodollars: two years 813-815 per cent; three years 813-815 per cent; four years 9-875 per cent; flow years 813-815 per cent; flow years 9-875 per cent; flow years 8-15 per cent; flow years 9-875 per cent; flow years 8-15 per cent; flow years 9-875 per cent; flow years 9-875 per cent; flow years 8-15 per cent; flow years 8-15 per cent; flow years 9-875 per ce

FT LONDON INT	ERBANK FIXING	_
(12.00 a.m. Jan.19) 3 months US dollars	6 months US Duillans	
and 8% offer 8%	bld 84 offer 84	_
The Hausy rates are the arithmetic means regarded to the ne potted to the market by five reference banks at 11.00 a.m.	erest one-sinteenth, of the bid and offered rates for \$1 each working day. The banks are Mational Westmin	Ģe,

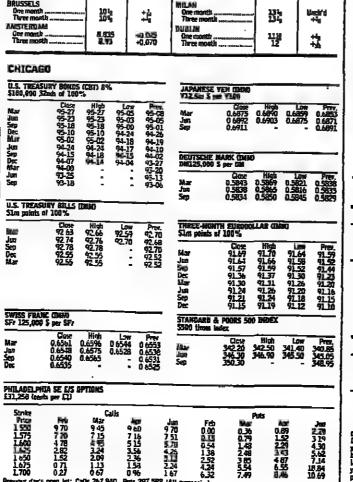
	N.	ONE	RAT	ES					
NEW YORK	YORK Treasury Bills and Bonds								
(4pm Jan. 19) Prime rate Broker loss rate Fed.funds at intervention,	. 10 - 94 - 84	lee month		8.09 Fast 7.99 Fiety 8.01 Seven	year	8.20			
Jan.19	Chemight.	Ose Month	Yes Months	Three Months	Sitz Montás	(immen) kilarvestjes			
Frankturk Park Curich Curich Curich Colyo Millan Curich Colyo	7.70-7.80 10¼-10¼ 6¾-9¾ 8.75-8.87 6¼-6½ 12¼-12¼ 9.40 11¼-11∰	114-12 114-104 114-104 114-104 114-104 114-124 114-124 114-124	7.95-8.10	3.05-6.25 11-11-5 12-9-6 8.88-6.96 612-7 12-1-12-1 11-12-1	830-846	9.50			

LONDON MONEY RATES									
Jan 19	Overnight	7 days notice	One Month	Three Montain	Six Months	Une Year			
Interbank Offer Interbank Bid Interbank Bid Starling COs. Local Authority Deps. Local Authority Deps. Local Authority Bonds Discourt Mirt Deps. Company Deposits Finance House Deposits Sank Bills (Buy) Sank Bills (Buy) Desian COs. SOR Linked Dep. Bid ECU Linked Dep. Bid ECU Linked Dep. Bid ECU Linked Dep. Bid	14% 13 14% 14%	157	7-24 7-7-4	HAND STREET OF THE	11111 111 114 11 11 11 11	154 154 154 154 154 154 154 154 154 154			

assury Bills (sell); one-month 14 jp per cent; three months 14 jp per cent; Bank Bill nth 14 jp per cent; three months 14 jp per cent; Treasury Bills; Average tender: 14 5594 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Decer Agneef rates for period January, 24 1990 to February, 25, 1990, Scheme I: 15.15 ii & iii; 16.38 p.c. Reference rate for period Dec. 1, 1989 to December, 29, IV&V: 15.154 p.c. Local Authority and Finance Houses sever days notice, other cell. Finance Houses have Rate 15 jp from January 1, 1990: Bank Deposit Rates fi days notice 4 per cent. Certificates of Tax Deposit Cierles 6): Deposit ELIO0,000 a fer one month 11 jp per cent; one-three months 13 per cent; three-tix months 14 per cent; three-tix months 15 per cent; three-tix months 15 per cent; three-tix months 16 per cent; three-tix months 17 per cent; three-tix months 18 per cent; three-tix months 18 per cent; three-tix months 18 per cent; three-tix months 19 per cen

BANK OF ENGLAND TREASURY BILL TUNDER

200			PERSON'T BILL	C (West	745.FT
	Jan	19 Jan.12		Jan 19	Jan.12
Bills on offer Total of symbol bes Total allocated Minimum accepted bid Allotment at minimum level	£300	8m £926m m £300m 65 £95.380	Top accepted rate of discount Average rate of discount Average yield Amount os offer at east trade Minimum accepted bis 182 di	14.56849 15.11754 £300m	14.5198% 14.5049% 15.0491% 1300m
MEEKTA C	HANG	EINW	ORLD INTER	EST RA	TES
LONDON Base rates Amonth intertank Amonth intertank Amonth intertank Bard 1 Bills Bard 2 Bills Bard 2 Bills Bard 3 Bills Bard 3 Bills Bard 4 Bills Bard 4 Bills Bard 4 Bills Bard 4 Bills Bard 5 Bills BRUSSELS One month Turer month MESTERDIAM MESTERDIAM	Jac.19 15 15 15 15 15 16 16 16 16 16 16 16 16 16 16 16 16 16	change Unit'd +0 +0 +0 +0 +0 +0 +0 +0 +0 +0 +0 +0 +0	NEW YORK Prime rates Prime rates Federal Fands 3 Mth. Tressory Bills 6 Mth. Tressory Bills 7 Mth. CO FRANKFURT Lordard One noth, interbank Three rounts PARIS intervention Rate One mith, interbank Three rounts Three rounts Three rounts BUILIN One month Three rounts BUILIN One month Three rounts	5an.19 10 7.79 8.00 8.00 8.00 8.00 8.00 1075 8.150 114 114 115	change Undrd +1-1 +0.21 +0.19 +0.13 Undrd -0.155 Undrd -0.156 -0.156
CHICAGO U.S. TREASURY BONDS OF		+0.670	JAPANESE YEN (1900)	12	#
\$100,000 32mb of 100%	High F	-	772.5m \$ pm Y161	U-2 1-	_



FT-ACTUARIES WORLD INDICES

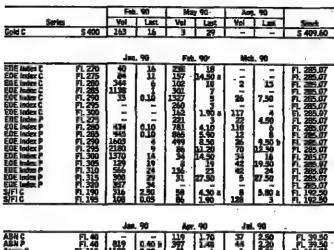
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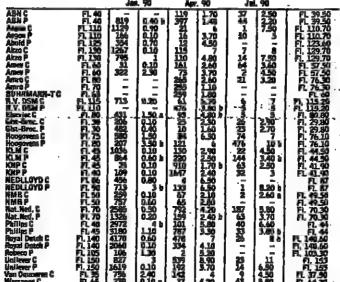
iatikihal and Regional Markets _		FRID	AUKAL YA	URY 19 1990	0		THURSOA	MAUMAL Y	7 18 1990	D0	LLAR NOE	
Figures in parentheses show number of stocks der grouping	US Dollar Index	% change bl/ice Dec.29 '89	Pound Serting index	Local Currency Index	% change local cur- rency since Dec.29 '89	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1939/90 Low	Yea ago (appro
Australia (84)	154,66	+22	133,22	129.77	+1.8	5.25	155.CD	139.72	129.87	160.41	128.28	95.
Austria (19)	207.70	+14.0	187.04	185.50	+ 15.0	1.31	208.59	188.00	184,87	219.85	92.84	133.
3elgium (61)	153.86	-0.5	138.50	135,65	-0.1	4,12	154.08	138.87	135.84 -	160.02	125.58	133.
Ganada (120)	146.35	-3.8	131.74	125.00	-21	3.20	147,02	132.51	124.72	154.17	124.67	158.
Denmark (36)	244.37	+0.9	219.98	219.86	+1.4	1.44	245.44	221.21	220.40	250.34	165.35	132
inland (26)	141.18	159	127.09	119.04	+5.3	2.62	140.68	126.79	118.39	159.16	118.63	11û.
rance (125)	150.60	-3.5	135,57	136.78	-3.4	2.75	150.75	135.87	137.27	157.97	112.57	
Vest Germany (96)	122.83	-0.7	110.56	108.84	+0.0	1.93	122.54	110.44	108.81	130.32	79.56	85.
long Kong (48)	114.41	-2.3	102.98	114.70	-23	4.97	113.88	102.62	114.16	140.33	86.41	120.
reland (17)	196.02	+8.0	178.46		+60	2.44	192.62	173.60	174.71	196.69	125.00	131.
taly (96)	99,10	+0.7		177.91					93.75	102.11	74.97	85.
lapan (455)	181.23	-8.2	89.21	93.87	+0.7	244	98.67	88.93	167,12	200.11	164.22	191.
Malaysia (36)	229.59	+0.2	163,14	166.79	-7.0	0.49	181.02	163.15	238.93	238.21	143.35	150.
Aexico (13)	334.08	+2.6	206.67	299.18	+ 0.6	2.24	229.48	206.82		337,02	153.32	161.
letherland (43)	138.65		300.73	984.40	+28	0.53	330.18	297.58	972.91	145.66	110.63	114.
	73.76	-5.0	123.01	119.60	-4.6	4.50	134.98	121.66	118.57	88.18	62.64	71.
lew Zealand (18)	212.20	+23	66.40	64,04	-0.6	5.50	74.08	68.77	64.06	219.26	139.92	158.
lorway (24)		+6.2	191.01	189.52	+5.9	1.44	210.67	189.87	187.50	189.94	124,57	133.
Singapore (26)	185.80	+4.8	167.25	160.50	+3.4	- 1.81	185.63	167.31	161.60		115.35	126.
South Africa (60)	217.93	+10.9	196.18	181.75	+6.4	3.51	223.09	201.06	165.86	229.41	143.14	1:19
Spain (43)	154.94	-5.4	138,93	129.55	-4.2	4.09	155.27	139.94	129.74	169.75	138,45	146
weden (35)	193.93	+1.0	174.57	178.28	+1.3	1.92	198.14	178.53	181.57	206.95	67.81	76
witzerland (62)	95.31	+ 1.3	85.79	89.46	-0.5	2.00	94,00	84.72	88.49	99.12	133.28	141
Inited Kingdom (306)	156,97	-1.1	141.30	141.30	-3.2	4.47	156.83	141.34	141.34	164.31	112.13	116
ISA (542)	137.34	-4.0	123.63	137.34	-4.0	3.47	136.89	123.37	138.59	146.29		
urope (989)	140.57	-1.3	126.54	125.84	-1.9	3.39	140,32	126,46	125.79	148.66	112.63	116.
lordic (121)	190.55	+ 1.7	171.53	166.12	+2.0	1.72	192.57	173.55	167.43	196.12	137.95	143.
acific Basin (867)	177,80	-7.7	160,05	163,40	-6.6	0.75	177.61	160,07	163.69	194.72	160.44	187.
uro - Pacific (1656)	183.11	~5.6 ⋅	146.82	148,47	-5.0	1.67	162.89	146.81	148.62	174.18	141.56	158.
iorth America (662)	137.78	-4.0	124.03	136.57	~-3.9	3.40	137.40	123.83	136.19	146.66	112.79	117.
urope Ex. UK (663)	129.26	- 1.4	116.36	116.29	-1.1	2.67	128.96	116.22	116.19	134.66	25.30	101.
acific Ex. Japan (212)	136.35	+ 1.0	122.74	120.64	+0.8	4.79	136.37	122,90	120,60	140.05	111.33	131.
Vorid Ex. US (1849)	163.15	- 5.3	146.88	148.07	-4.8	1.74	193.02	146.92	148.25	173.77	141.49	157.
Vorld Ex. UK (2085)	152.52	-5.3	137.29	144,72	-4.7	2.04	152.26	137.23 .	144.69	162.00	136.96	141.
Vorid Ex. So. Al. (2331)_	152.50	-5.0	137.28	144.25	-4.6	2.26	152.22	137.19	144.18	161.84	136.67	141.
Vorid Ex. Japan (1936)	139.81	-2.6	125.85	132.92	-28	3.45	139.54	125.76	182.70	145.52	114.51	117.
he World Index (2391)	152.90	-4.9	137.63	144.36	-4.6	2.27	152.65	137_58	144.33	162.05	136.68	141.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 198 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

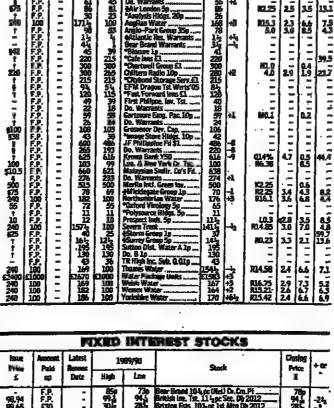
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EUROPEAN OPTIONS EXCHANGE





Robect United United	er C er P	•	P1, 14 P1, 10 F1, 15 F1, 15 F1, 6	10 8 8 7 2 8 7 2 8 7 2 8 8 8 8 8 8 8 8 8 8	M 1070 %	476 334 539 162 162 37 CONTRAC C- Call		25 23 14 43 Prt.	11 6.50 4.50 5.50	F	149	5
			ŭ	OHE	ON RE	CENT	185	URS			٠.	_
igane Price	Attrict Paid Ep	Latest Research Dale	1989 High	190 Law	Sto	d	Closing	L_I	Het. Div	Times Cov'd	Gross Yield	P
9100 975 975 975 975	F.P. F.P. 100 F.P. F.P. F.P. F.P.	1111111111	171-78-1-4-528	######################################	Abtrust New T Do. Warrants #Air London 5 *Analysis Hide Anglo-Park G #Atlantic Res. Bear Brand W "Biogure Ip" "Cafe loss £1.	p is. 20p roup 35p Warrants	166 78 154 154	77 P TT	12.25 205.3 5.0	· 15 128 1 1 1	85	1



issue Princip	Amoust. Paló sp	Latest Rennec Date	19 High	69/90 Low	Stock	Closing Price	+er
98,94 89,65 999,68 100	F.P. F.P. £30 F.P. £50 F.P.		850 99.1 30.5 100.5 56 100	285	Beer-Brand 104, pc (Nei) O. Cm. Pf British Inz. Tst. 114-pc Sec. Db 2012 British Ess. 104-pc 1st Mits Db 2012 British Ess. 104-pc 1st Mits Db 2012 Freega & Col 114-pc (Db 2014 & 100 Brostene Dev. Cap. 74-pc Uss. La. 1999 Omaftesh 12ps Cr. Has Lv 2000	78p 94 2 95 3 95 97	-21 ₈
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11. 18 290: 100	NATI NATI NATI Sed divides	d b Figure	11/2 per 10 per 27 per 8 per 5 based on 5 per de de	DECEMBER	Skesto Fidebity 100	Inco 10pm 22pm 2pm 2pm s part of c	74 +4 2012i,
स्तर र स्थाप स्थापन	gyneurenc aus_H Divis	goe specia tend and y	leki bessi :	or prospeci	or estimated annualised dividend rate, cover us or other official estimates for 1909, K (D-91, L Estimated annualised dividend cover	based on p	erious

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CROSSWORD

No.7,144 Set by FRESCA



ACROSS

1, 6 Period on course reassessing heart-case data around

end of May (1,3,2,3,5)
9 inclined to give green area
to conservationists (5)
10 A march – No.1 for fiddle
– not an instrument played by ear! (9)
11 Common hooter – not an

instrument played by nose! 12 Sweet and sour? (4)

14 See next page on general poison (7)
15 United Kingdom's turn to attend to one middle easterner (7) 17 Bovine leader rabbiting on

(7) 19 View "Dynasty" apparently

20 Spots distinguished flyer crossing pole (4)
22 Garment and continental articles used by redbead in

burlesque (10) 25 Bear managed to play on

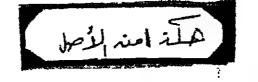
25 Bear managed to play ou time (3) 26 World supporter – bare-'eaded, as one might say (5) 27 Hazards a hasty kiss, meet-ing with resistance (5) 28 Original chrowd English

28 Original shrewd English

1, 2 A daily lark's now potentially part of one's job (3.2.1.4.4)
3 Neutralising compounds forming a link with a salt (10)
4 That woman having a cuppa outside at noon? Capital! (7)
5 Brand of musical ability displayed by a note? (7)
6 Measure offensive to listener (4)
7 Kind of porcelain fashionable when taking tea out (5)
8 Sensational opening to Elgar's second—in G (9)
13 Chancy redistribution of money? (10)
14 Party—same group that holds the purse strings (9)
16 At home, a match grips one—to start with! (9)
18 Gold pieces lying around on a supermarket stand (7)
19 Self-contained record with an involuntary movement one doubts (7)
21 Draws on inter-polar sound receiver (5)
23 Discrimination—though receiver (5)

23 Discrimination – though not a lot (5) 24 Goddess one's double? (4)

character (9)
The solution to last Saturday's prize puzzle will be published with names of winners on Saturday Pebruary 3.



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34

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1				WORLD STO	CK MARKETS
4	AUSTRIA FRANCE (co. 1989/90 Price 1989/90	Price 1 1989/90	Prize . 1989/96	SWEDEN Price : 1989/90 Price	
	1989/90	James 19 Price 1937 99 James 1937 99	1989/96 1989	Prize	TORONTO Closing prices January 19 Containors in cristal surface trained 3. Section And Art in co. 500 co. 55. 5 1006 Arthor Pr. 314 114 115 114 115 115 115 115 115 115 1
`!	410 336.4 Des Damie Bank 363.5 1,240 1,028 330.5 257.7 East Asiatic 260.7 678 546 797 529 FLS inds. B	Printemps As	110 42 Storebrand February 349 SPAIN	SOUTH AFRICA	NEW YORK
	684.3 579.9 I.S.S. 8 Systems 870 580 370 Jysic Bank 444 675 306.7 Hordisk Kahel 500 376.3 26.7 Royal Criscope 3 301.1 365.7 249 Principarties 302.2 1,234 390 Royal Criscope 4 500 487.3 87.5 500 Royal Criscope 4 500 487.5 87.5 185.5 185.5 800 Royal Criscope 4 500 1989/90 Royal Cr	Reducids	1989/90 1988 1999 1988 1999 1988 1999	Price 1989/90 1981/90 1981/90 1981 1981/90 1	DOW JONES Jan Jan 1982/80 Since compilation 19 18 17 16 High LOW LOW
	405 212.5 Warts (611) 390 High Law 3 FRANCE 800 448 A	2 310 1,419 Magnet 19,645 12,512 Mediob 65,500 42,700 Mills-L 25,500 42,700 Mills-L	Marelli 2,120 430 290 Sarrio	330 90 45.5 Rest Plat	Jen 12 Jan 5 Dec 29 year ago (approx.) Dev industrial Dir. Yield 3 % 3.84 3.87 3.60
	High Low Japaney 19 Frs. 439,1 3451 A 910 567 Acror 876 923 720 A 725 448,75 African Conidan 706 793 560 D 672 569 Air Lipside 663 515,9 255,5 B	ASP Destroise K 800 4,054 2,760 Prietit C 4,054 2,760 Prietit C 7,999 4,505 Ringues ASF 290.3 75 760 Page S	9,629 2,084 1,466 Terras Grupo) ps	1 595 25 15:25 SA Meng. Amer 17 1 88 30 14.5 Tiger Dats 29:25 2 19:20 19:5 13:25 Tangast Helett 17:75 642 447 261 Vasi Reefs 415	Jan 17 Jan 10 Jen 3 year ago (approx.) S & P Industrial div. yield 3.03 2.94 2.65 3.21 S & P Industrial div. yield 14.39 14.80 15.19 13.23
	1989 99 1989	Price 1989/98 High Law Jacobs J	1.98 Fries	### AC7-5 1.07 10.0 Western Deep 283 ### AC7-5 1.07 1.09 Western Deep 283 ### 1.090 1.999/90 High Low Jessery 19 Aust 252 ### 1.090 1.510 1.55 0.95 McPhernose, 1.03 1.25 0.95 McPhernose, 1.03 1.75 0.95 McPhernose, 1.03 1.75 0.95 McPhernose, 1.03 1.75 0.95 McPhernose, 1.03 0.50 1.750 1.2 0.75 Memmed Aust. 1.05 1.550 1.2 0.75 Memmed Aust. 1.05 1.2 0.75 Memmed Aust. 1.05 1.2 0.75 Memmed Aust. 1.05 1.2 0.25 1.4 0.25 Mechaer Star 0.25 1.4 0.25 Mechaer Aust. 1.0 0.25 1.1 0.25 1.2 0.25 1.2 0.25 1.2 0.25 1.2 0.25 0.2 0.	NEW YORK ACTIVE STOCKS TRADING ACTIVITY
	2,020 1,506 Grees Cross 2,020 1,240 904 1,330 888 81 1,460 964 648 648 648 648 648 648 648 648 648 6	According Acco	1.00	2100 12.7 6.75 HK Land 7.75 14.20 1.20 1.20 1.20 1.20 1.20 1.20 1.20 1	FINANCIA

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_		211	IADA				
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	TORONTO Closing prices January 19 Continuous in certs unless started 3. \$65022 AMCA lat	SYACO A	SCALE SCAL	2015	1-No voti rights. CIOS 60 Bombrol 112810 Bomb 52300 Cam 14875 Case 17300 Done 174075 Vatis 4885 Nove 146550 Poset 146550 Poset 146550 Poset 146550 Poset 14550 Poset 14550 Poset 14550 Poset 14550 Poset	Cem \$41 41 ITER \$41 41 ITER \$41 41 ITER \$10 51 \$10 10 \$1	94 104 105 165 165 165 165 165 165 165 165 165 16
1		IND	ICES				
-	NEW YORK DOW JONES den den den den	1989/90 Since compilation	Jan 19	Jan Jan 18 17	Jan 16	HIGH 198	LOW
-	19 15 17 16	HIGH LOW HIGH LOW	AUSTRALIA Ali Ordinele (L/1,653) 1673 9	1677.5 1682		1781.6 (29/8/89)	1412.9 (7)4(89)
l	Nome Bonds 92.05 92.05 92.34 92.49	Q/1/901 G/1/891 (2/1/90) (2/1/52)	AU Kinsa (1/1/80) 8422 AUSTRIA	848.9 257		875 1 (29/8/99)	652.6 (7/4/890)
ſ	Transport 1153 98 1142.43 1146.67 1256.6	7 1532.01 959.95 1532.01 12.32	Desk Alties (20/12/84) \$35.97	555.47 560.		581 75 (12/1/99)	2195 (2)1,890
ı	termus 221.77 222.15 221.39 221.50		Bricht SE (ULSB) 649.64 DENMARK	5456.E5 6490.4 374.24 3741		6805.28 CM/989	5519.30 14/1/89
١	400	4: 413-35-49-38 GR1497T) Films 5492 52 GR52 82	Coperacyses SE CV/1/ESR 36/1.38 FRALAND Unite Second C19733 540.0	6325 625		374 24 (18/1/90) 815 8 (18/4/89)	581 S (23/11/89)
	STANDARD AND POOR'S (composite: 339.15 338.19 337.4 340.75	5 359.80 275.31 359.80 4.40	Initia General (1975) 540.5 FRANCE CAC General (31/12/62) 535 1	535 53		961 6 (11/10/84)	417.9 (4/1,89)
l	Industrials 389.97 388.82 387.99 391.83	(9/10/89) (9/10/89) (1/6/32) 3 411.20 319.66 411.20 3.62	CAC 40 GL(12/87) 1934 27 GERMANY	1934,72 1953.		2006.42 (4/1/90)	1525-38 (27/2/89)
	Financial 29.51 29.58 29.59 29.88	C/1/901 C/1/891 C/1/901 C/1/521 35 24 24.30 35.24 8.64 (9/10/691 C/1/691 (9/10/89) C/1/0/740	FAZ Akties (31/12/56) 743.72 Commercionis (11/12/53) 2188.6 DAX (30/12/87) 1773.56	744.13 757.1 2186.8 2232 1779.17 1802.0	3 22275	776.71 02(1)90 2291.3 0/1/90 1889.66 0/1/90	535.78 277.289 1595 7 2772.289 1271.78 2372.89
1	NYSE Composite 187.56 187.67 136.86 188.37		HONG KONG Kang Seng Base (01/7/64) 2776-29	2771.67 2754.1		3309.64 (15/5/89)	2093.61 (5/6/89)
l	Amer Min. Value 366.08 366.17 368.06 368.41	1 397.03 305.24 397.03 29.31 100/10/29 03/1/89 020/10/89 (9/12/72)	RELAND SEQ Overall 4/1/800 1881.16	1895.89 1899.9		1831.16 (19/1/90)	1360.64 (10/1/89)
	NASDAQ Composite 440.88 437.52 438.66 440.16	485.73 378.56 485.73 54.87 (1)10/871 (3/14/87) (9/10/871 (31/10/72)	STALY Bassa Com. Bayl. (1972) 697-38	696.37 6/6.1		734.84 GL/8(89)	577 49 (28/2/89)
1	Jen 12 Jan	Total Section of the		35729.46 36921	14 36850.36 8 2723.66	38715.8729/12/89	30183.79 6/1/89
	Dew Industrial Div. Yield 3 % 3.6		Tokyo SE (Topiz) (4/1/68) 2701.31 2nd Section (4/1/68) 4065.23	2705.41 2719. 4078.19 4081.		2894.80018/12/899 4081.93117/11/900	2366,91 (6/1/89) 2774 38 (27/3/89)
I	S & P Industrial div. yield 3.03 2.9 S & P Industrial div. yield 14.39 14.39	4 2.86 3.21	KLSE Compasite (4/488) 574.72 HETHERLANDS	574.09 574.	2 567.34	992.90 CLI/1/90	357.31. CU/1/890
I		TRADING ACTIVITY	CBS TILRITLGEN, East 19839 252.7 CBS ATI Shy (East 1983) 193.8	250.2 252 191.9 191		272.7 (21/9/89) 210.5 (2/9/89)	208 3 (3/1/29) 166.7 (1/3/29)
l	Stocks Closing Change	† Volume Millions	MORWAY Odo SE (2/1/63) 743.72	737.39 735.	5 724.80	751.87 (11/1/90)	467.17 (2/1/89)
1		Jen 19 Jen 18 Jen 17 New York 185,540 178,540 170,470	PHILIPPINES Marila Coop (2/1/85) 1080.35 SINGAPORE	1059-25 1057.	6 1054.12	13% 25 (20/11/99)	804 62 (6/2)8%
	Am T&T 2961,100 424 - 4	Amer. 11.220 10.6665 11.788 NASDAQ to 136.325 139.152	SES All-Singapore (2/4/75) 421.89 SOUTH AFRICA	<u> </u>		433.24 (11/1/90)	300 07 (4/1/29)
l	Digital Eggls 2,372,000 774 - 44	lesue, Trades 1,949 1,967 1,964 Rises & 587 633 Falls 651 879 867	JSE Seld (28/9/78) 2000.04 JSE Industrial (28/9/78) 2945.04	2161.0 2184 2989.0 2996		2254.0 (12/12/89) 3023.0 (15/1/90)	1291.0 (15/2/89) 1961.0 (3/1/89)
	Ses Electric 1,924,700 64% + 1% 6 Phillip Morris 1,903,100 29% - %	Uestunged 482 501 464 New Highs 18 14 14	SOUTH KOREA" Korez Comp Ex. (4/1/90) 686.2	E7481 274.	1 883.43	1007.80 (3/4/89)	844 75 LL1_7.2/891
		Hear Lones 57 81 45	SPAIN 426.13 226.13 226.13 226.13	296,41 238,	0 267.29	328.93 (13/9/89)	268 61 (1/3/59)
1			Shifted				

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Hard work on joint ventures

here is a simple way to calculate the extra man-agement effort it takes to run a joint venture: it takes roughly twice as much as a wholly-owned subsidiary. First wholly-owned subsidiary. First you have to carry on managing your own business. Then you have to devote time to dealing with your partner in the venture and finally you have to deal with the venture itself as a separate company. The calculus is Mr Richard Dulude's, group president of Corning, the US multinational glass manufacturer, which has a score of joint ventures. They range from a venture with

range from a venture with Dow Chemicals which is about 40 years old, to a deal with IBM, the computer manufac-turer, which was set up only a year and a half ago. They stretch from an undertaking with Siemens, the West German engineering group, to a venture with Samsung, the South Korean consumer elec-

Mr Dulude warns: "You can never afford to surprise your partner. You must treat him like a customer. That means you have to talk a lot. Things you might normally do as reflex or routine you have to explain and be prepared to

Non-equity ventures

There is little statistical evidence that joint ventures and other non-equity forms of col-laboration between companies are growing at the expense of more traditional forms of internationalisation through direct investment. Yet recent deals involving, for example, British Aerospace and Thom-son-CSF in missiles and Boeing and three Japanese heavy engineering groups in aircraft development, suggest that the ability to pursue these looser forms of internationalisation has become an essential part of a large company's reper-

Companies become interested in joint ventures for two reasons: to gain access to a market which would otherwise prove difficult to penetrate, or gain access to technolog expertise which would be too costly and risky to develop

Yet just bringing together a market and a product technol-ogy does not guarantee suc-cess, even when leading companies are involved, as the recent collapse of the Intel-Siemens joint venture shows.

Check list

Mr Dulude's check list for the management of successful joint ventures is as follows: • If the first question raised in the negotiations is "who is going to control the venture?" tidy your papers, slide back your chair and head for the door - the venture will not work. Equally, if most of the negotiations focus on how the parties will be able to escape if the venture fails, claim press-ing engagements and leave. The venture will have to be able to grow, unless it is a purely defensive move to protect a market against incur-sion from competitors. If the venture gets hemmed in, either geographically or tech-nologically, there will be constant friction between the venture and its parents.

The venture has to develop

its own culture and identity as a business. Employees and cus-tomers must be encouraged not to treat it like an airport, something they want to pass through quickly and dread getting stuck in. • The managers of the ven-

ture have to have access to senior executives in the parent companies. If not, strategic decisions may be delayed and the venture will be relegated to the margins.

 Beware of monolithic com-panies with strong centralised organisations which are used to doing everything for them-selves. Joint venture partners have to want to share responsibility.

 As the number of ventures grows, so a company's sense of itself has to change. Corning sees itself as the centre of a dense web of links. Joint ventures are only one of these links. The others include wholly-owned subsidiaries, majority stakes, minority interests and marketing agreements.

Mr Dulude says: "We are neither a monolithic operating company, nor a holding com-pany. We work more like a network. Companies will have to think much more in terms of networking rather than just

Charles Leadbeater | tion, wisdom and impartiality

any political yard-tick. Charles colourful career. In politics for nearly 40 years, Mr Haughey, 64, is now in his fourth prime

ministerial incarnation.

He has fought his way through the political trenches, and been badly injured a few times but has continued running. He has held nearly every big ministerial portfolio. Now comes the role Mr Haughey appreciates most of all. Since January 1 Ireland has had the presidency of the European

Community.

Mr Haughey has every intention of playing his full part on the European stage. The large countries usually make the European running, he says. But the continual changes in eastern Europe are shifting the balance. "The Community is now being catapulted into a now being cataputed into a very powerful political position in the world. No matter what country was president at this point, it would be called upon to play a very important role."

Mr Haughey does not believe that the EC has been wrong-facted by the passe and scale of footed by the pace and scale of change. The Community has shown great resilience and maturity in its response. There might have been a temptation might have been a temptation for the Community to retire into a smug, self-satisfied attitude and leave eastern Europe to look after itself . . . in fact it's done exactly the opposite."

At Mr Haughey's initiative, Ireland had convened a special meeting of EC foreign ministers to discuss eastern Europe. Community plans for a bank to

Community plans for a bank to help the eastern European economies were going ahead. Mr Haughey has never gone out of his way to cultivate the media. Interviews are rare and take place within set guide-lines. In a country which cher-

ishes sociability and conversa-

tion, Mr Haughey is an oddity.
He keeps his personality remarkably well hidden. He is unpredictable. Part of the secret of his political longevity is his talent for being all things to all people. One day Mr Haughey is the concerned economist, reeling off lists of statistics on Ireland's improving economic health. Next the political bruiser, known for his use of colourful language. Then the grassroots party man holding his arms aloft as the massed ranks of Fianna Fail sing the party anthem "Arise and follow Charlie".

But he is now concentrating on his role as European statesman. He describes the new Europe as an economic and political superpower. He feels ireland, though a small country, has an important role to play, particularly in regard to relations between the United MONDAY INTERVIEW

Devoted member of the EC

Charles Haughey, Irish Prime Minister, talks to Kieran Cooke

States and the EC. "We can act as honest broker between the US and Europe. In Europe generally there is an understanding that Ireland has a very spenior of the control of cial traditional relationship with the US. The American relationship has always been a very real, fundamental thing in Irish life, emigration resulting in the fact that there are now 40m Americans of Irish descent

in the US."

Mr Haughey feels the Bush administration has a more constructive approach to Europe than the previous administra-tion. "Not so long ago there was talk of a trade war. That has completely changed." Mr

PERSONAL FILE

1925 Born, Castlebar, Co Mayo. Educated, University College Dublin 1957 Elected to Dail (Irish. Parliament)
1961 Appointed to Cabinet,

holding portiolios of Jus-tice, Agriculture and 1970 Resigned from Cabinet 1977 Appointed Minister for Health and Social Wel-

1979 Elected leader of Fianna Fall Party and Taoiseach (Prime Minister) 1981-89 Led Fianna Fail Into

five general elections, being elected Taoiseach on three occasions

Haughey says Ireland has turned from its historical links with the US to embrace Europe. "There's no doubt that the commitment is to the Community, to Europe. That's borne out time and again in the referenda that have taken place. I don't think there's any other country in Europe which has the same degree of popular support for membership of the

emphasis on personal relation-ships. He describes President Mitterrand of France as a per-sonal friend; Mr Haughey is an ardent Francophile. "I've always been attracted to France. I spent my honeymoon there. I spent my honeymoon there. I admire French culture, the way of life, their style. I regard the south of France as the epitome of the development of modern civilisation. I think they have whatever is neces-sary for a good life."

Mr Haughey's critics feel he

is giving too much time to things European and not enough to problems closer to home. There has been a considerable improvement in Ireland's overall fiscal position over the past three years. Borrowing has been radically cut back, though the national debt, at more than I£25bn (£23.5bn), is still a serious impediment to development. Exports have grown substantially while

inflation has been kept down. But a programme of Govern-ment cutbacks has caused serious problems, particularly in the health service. Unemploy-ment, at more than 17 per cent, ment, at more than 17 per cent, is twice the EC average. More than 50,000 people, many of them young graduates, are leaving Ireland each year and though the country has the highest birth rate in Europe its population is declining. population is declining.

population is declining.

Mr Haughey has been accused of presiding over an increasingly unequal society. Yet Mr Haughey, once looked on as the enemy of the Irish business community, has been transformed into a valiant friend. "I would suggest it is the business community that has changed and not Charles Haughey," he says. Haughey," he says.

Mr Haughey was born in Castlebar, a small market town



'The commitment is to the Community, to Europe'

in the west of Iraland. Dublin, particularly the more working class northside of the city, has always been Mr Haughey's true home territory. He has represented a Dublin constituency since 1957. Mr Haughey married into politics. His wife is the daughter of the late Sean Lemass, Prime Minister in the 1960s. One of Mr Haughey's sons is the present mayor of

He lives in considerable style on a 280-acre estate in the northern Dublin suburbs. He also owns an island off the coast of Co Kerry. The source of Mr Haughey's wealth remains an Irish mystery. His political trials and tribulations included, in 1970, being charged and acquitted of illegally importing firearms. Over the years Mr Haughey's style has changed. Gone is the combatative political toughie, in public at least. In has come a more stressence. presence. President Gorbachev, who

President Gorbachev, who made a stopover in Ireland last summer, rates high on the Haughey hero list. "I have great confidence and belief in him. Everybody must admire what he has done so far, the courage he has shown. It might be a little undignified to call him a tough street fighter. But that's an indication of the sort of individual I think he must

Relations between Dublin and London have never been easy. "It is of course a very special relationship, multi-faceted, to put it mildly. Throughout the length and breadth of Britain there are irish people who have made their home there and found a satisfactory." there and found a satisfactory way of life for themselves. Eco-nomically we're still much closer to Britain than to any

that's one fact of life, it's real-ism and it's there. We have to accept that and make the best of it." Mr Haughey does not want to discuss Northern Ireland. "Til put it very simply this

other EC member state . . . so

way. My ideal would be irish unity as part of a greater European unity." All further discussion on the issue is "for another day." The conversation is quickly steered back into the European mainstream.

Since Joining the EC in the early 1970s Ireland has been one of the largest net recipients of EC funds. It has ents of EC funds. It has recently been granted nearly 153bn by Brussels to enable it to build up its infrastructure so as to compete in post 1992 Europe. Mr Haughey describes this as a crucial time for Ireland but has no doubt that the country will be ready for the single market. "We've a lot of advantages going for us. In a way our small population is an advantage ... we don't have, as some other European member states have, large numbers of people in old traditional industries ... our workforce industries . . . our workforce is adaptable and well trained."

Others see serious problems ahead. Irish tax rates are still well above the EC average and painful financial adjustments will have to be made if they are to be harmonised with the are to be narmonised with the rest of the Community. Many Irish industries have been cossetted by large amounts of state aid. Industries that are profitable are generally small in comparison to those in the rest of Europe and vulnerable to takeover.

The pessimists forecast that as Ireland approaches 1992 there could be more job losses with uncompetitive concerns forced to shut down or transfer operations closer to the main markets. Mr Haughey will not discuss economic specifics but says an amalgamation process has already begun; with Irish companies enlarging to compete in Europe.

At the same time Irish firms are evolving small niche type operations for high quality products. "Our peripherality within the EC is one of the major obstacles we have to overcome ... we'll have to develop fast, cheap, efficient sea transport. We have a very real vested interest in the liberalisation of air transport, both alisation of air transport, both passenger and freight. These will be something we will be giving priority to during our presidency."

Attempts to penetrate beneath Mr Haughey's Euros-kin get nowhere. How would Mr Haughey like to be remembered when the time comes to finally hang up the political boots? "I'm not writing my manners we're dealing with memoirs, we're dealing with Europe. Soul searching is not part of my make-up."

Public perception of judges' conduct

he community's confidence in the administration of justice cannot be based solely on the personal qualifications of the judges. But it can hardly be gainsaid that public confidence in Scottish justice has been badly dented by the revelation of alleged improper behaviour of a cluster of Court of Sessions judges, although the nature and extent of the alleged improprieties are insufficiently disclosed for any conclusive pronouncement on the affair.

The affair prompts the question: does the public think that judges are human, sharing the virtues and weaknesses of ordinary mortals? The fact that one can pose such an obvious question stems from the self-imposed isolation which the judiciary in the two British legal systems has hitherto enveloped itself.

To mention the human frail-

ties of judges, except as an aside or as a joke, even in gatherings of lawyers, has always been considered bad taste. The taboo subject dominated the education and professional training of lawyers, at least until recent years. In consequence, it controlled what judges said to the non-legal world in publications and public addresses (judges were

So long as a judge kept silent, his reputation would remain unassailable

always willing to talk in purely professional circles). The legal profession spoke to the laity as if the human characteristics of judges were deliberately concealed under a wig and robe and had little or no consequences for the administration of justice. Those who broke that tradition were dubbed as subversive of the uprightness

and independence of the judge. Until very recently this atti-tude was buttressed by rules laid down by the Lord Chancellor, Lord Kilmuir, in 1955. The Kilmuir rules were designed to keep the judiciary "insulated from the controversies of the day." The rules propounded the principle that so long as a judge kept silent, his reputa-



JUSTINIAN

would remain unassailable. By contrast, any utterance in public, other than in the course of performing judicial duties, would necessarily bring him within the focus of criticism. Judges who might wish to write articles in the press or appear on radio or television would be strictly out of

Much has changed with the recent abandonment of the Kilmuir rules by the present Lord Chancellor. But the separate and silent judiciary of the judges continues to feed the public perception of a remote and virtuous body singled out for judging from their fellow human beings, but always with

an Olympian alconness.
That perception has imposed on the judges a code of personal conduct that is not expected of other mortals. Hence the sad spectacle of a Scottish judge having to resign because apparently he behaved because apparently he behaver in a manner that precludes any deviation from the social norm of heterosexuality, even though sexual practices in private between consenting male adults has ceased to offend the

criminal law since 1967. If only society did not still regard homosexuality as morally unacceptable, there could be no risk of blackmail, which is said to be the reason why the judge was bound to resign. Blackmail can feed only on the victim's need to conceal something about himself which is more than a peccadillo.

What, then, should society demand of those who sit in judgment in the conduct of their private lives? Dr Johnson was not one of those who believed that the private life of a judge should be so decorous as to avoid all ordinary social contacts and patterns of existence. When Boswell asked Dr

English judge was bound to live like a gentleman, Dr John-son replied: "Yes, sir – if he

Dr Johnson went on to express a poor opinion of a "law lord" who took a fancy to associating with the wits of London, but with so little success that the actor and drama-tist, Samuel Foote, asked: "What can he mean by coming among us? He's not only dull-himself, but the cause of dull-ness in others." Duliness is bred by an unwillingness to communicate publicly.

Professional training, experience in the practice of the law and the social outlook of law-yers in Britain serves to sustain the public charges of remoteness and conservation. remoteness and conservatism. Whatever the wider horizons of lawyers may have been when they were free from the con-straints of judicial office, they become, on the bench, immured in the monastic life of the Temple and the aseptic atmosphere of the courtroom. While the standards of judi-

cial conduct on the bench must necessarily be strict, the standards on extrajudicial activities are not always warranted and may, if enforced, bring unfortunate results.

A distinguished Scottish

The standards on extrajudicial activities are not always warranted

Law Lord, the late Lord Kilbrandon, once wrote that when a man - a lack of women on the bench may have something to do with the fostering of the present attitude - accepts judicial office, he does not cease to be a citizen. As a citizen, he must take his share of the burden of translating compassion into action, as do his

non-judicial neighbours.

A judge with homosexual proclivities is as able of translating compassion into action as his heterosexual colleague. Whether any extrajudicial conduct is publicly unacceptable depends upon the wisdom of the individual judge and his sense of caution in a world that shines the fiercest spot-light on all its public figures.

BOWATER INCORPORATED

1989 – SECOND BEST YEAR EVER

	Year ended 31 December 89	Year ended 31 December 88	Percentage Change
SALES	\$1,450.0m	\$1,410.4m	+2.8%
INCOME BEFORE TAX	\$261.0m	\$301.6m	-13.5%
NET INCOME	\$144.6m	\$164.3m	-12.0%
EARNINGS PER SHARE*	\$3.86	\$4.37	-11.7%

* Net income used in the calculation of earnings per share has been reduced by the dividend requirement of the LIBOR preferred stock.

1989 sales established a record for the sixth consecutive year.

Newsprint shipments also set a record. Increased newsprint price discounting and start-up costs for two pulp mills produced pre-tax, net and per share earnings below their 1988 records but still at their second best level ever.

Operating income and sales of market pulp and communication papers both set new highs.

"Looking forward to the 1990s," A.P. Gammie, Chairman and Chief Executive, said, "we expect the current overcapacity in newsprint to be with us for two or more years but it is likely to be less severe than many forecasters predict. Demand for coated paper is forecast to remain at a healthy level . . . there is hope that much of the surplus capacity coming into Europe will be directed to the East rather than to North America. Market pulp demand is softening but we will expect to report excellent profits. The company's leading position and efficient operations will keep it competitive in communication papers."



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